



Hon. Bruno Le Maire,
Minister of Economy and Finance

Hon. Christian Lindner,
Minister of Finance

April, 21st 2023

Open letter : Strict budgetary rules undermine European resilience

Dear Minister Bruno Le Maire,
Dear Minister Christian Lindner,

The European Commission is about to propose a reform of the Stability and Growth Pact (SGP). This reform should allow the European budgetary framework to be better adapted to the many challenges affecting Europe, including the climate and energy crises. For this, the relaxation of the SGP rules coupled with the establishment of a new European fund dedicated to climate and biodiversity seem crucial.

The German government [is proposing](#) additional debt reduction constraints for countries whose debt exceeds 60% of their GDP and to cap the amount of public investment according to growth rates. These measures risk **undermining the resilience of the European Union**, by reducing or even eliminating national investment capacities to meet long-term challenges such as the climate crisis, energy sovereignty and the protection of biodiversity.

Refusing to invest now in the green and just transition contributes to **weakening the sustainability of national debts** in the medium term. Indeed, without massive and rapid investments, EU Member States will have to pay **the costs of climate inaction**, already [estimated](#) by the European Central Bank at 175 billion euros per year (for a global warming of +3°C).

The European Commission estimates the additional demand for public and private investments at 520 billion euros per year until 2030. Therefore the relaxation of the

European budgetary framework must go hand in hand with the launch of **a new EU climate and biodiversity fund**, a project supported by [many voices](#) in Europe. The recent relaxation of State aid rules is not enough as it will not benefit all Member States equally, as some do not have much fiscal space to support their transition.

The German and French civil society organizations ask you not to miss the march of the energy and climate transition: only a sufficient release of budgetary capacities and the establishment of a new European climate and biodiversity fund can guarantee the **effective implementation of the Fit for 55 objectives** and the green transition. We call on you as our decision makers to prevent imposition of arbitrary restrictive fiscal rules which would effectively place a straightjacket on progress towards EU agreed climate, social and economic objectives.

In our opinion, it's a move in the wrong direction to block investments which have a positive impact on damage prevention as they remarkably avert greater danger from the EU budget than the measures like blocking funds.

Yes, we have a responsibility to hand over stable public finances to the younger generation. But we also should not bequeath them an overheated world, a toxic planet that **no longer provides a healthy basis for life for humans and nature**.

We need all countries in the EU to be able to invest at scale in the green and just transition to ensure **resilience, prosperity and social justice** of our economies and societies. Arbitrary restrictions will not only affect individual countries but also have a ripple effect on the EU as a whole, given the close interdependence between our economies, not to mention our shared currency.

Sincerely,

Signatories:

Réseau Action Climat France
Deutscher Naturschutzring e.V.
GermanWatch
France Nature Environnement
Oxfam France
Fiscal Future
Alofa Tuvalu