

“The future of cohesion policy in times of crisis”

Report on the conference of the Left Group THE LEFT on 27 September 2022 in the European Parliament in Brussels.

Martina Michels/Nora Schüttpelz, Brussels

On 9 February 2022, the European Commission presented the 8th Cohesion report with cautious optimism and as starting point the debate on the future of cohesion policy after 2027. As a result of the war against Ukraine, however, the role of the EU’s regional policy is once again increased unexpectedly: It substantially, materially, funds the EU’s crisis support packages. However, according to its programs, the same funds are earmarked for long-term EU strategies for the convergence of living conditions, as well as for investments in sustainable economic, environmental and social development. The guiding question of our conference was therefore: From a left-hand perspective, how can we address the most pressing current social and economic effects of the crisis, while maintaining the strategic goals of cohesion in the EU, including a forward-looking energy and social policy? To this end, the Left Group THE LEFT in the European Parliament invited experts from different fields to express their views and expectations on the parliamentary left.

In her welcome speech, **Martina Michels**, as coordinator of the Left Group in the EP’s committee for regional development, set the scene and stressed the social-ecological approach of left-wing politics. The coronavirus crisis has had a severe impact in the EU and led to the biggest recession since 1945. However, the rapid and flexible use of EU structural funds has helped to mitigate the massive impact of unemployment and business insolvencies. Recovery packages have been put in place to re-launch necessary investments, reduce the burden on public budgets and help accelerate projects for climate action and digitalisation. Social inequalities have increased. Therefore, the Cohesion Report rightly highlights the social challenges: regional disparities between the north and south/east of the EU, between urban and rural areas and so-called peripheral areas, between genders, well and less well educated, people with and without a direct migrant background. Gas and electricity prices doubled last winter already, and energy poverty was a serious factor in the risk of poverty even before the coronavirus crisis. The course or even the end of the current crisis is not foreseeable. The social and economic consequences could develop an unpredictable explosive power. The problem is that social cohesion, environmental transformation and energy policy are not being considered coherently, especially in the current crisis.

: From a left point of view, it is therefore ever more important to bring together and re-think the various policy areas and support strategies and support strategies in order to cope with this most serious crisis that has so far been imaginable.

Dr Vera Weghman, researcher at the University of Greenwich, presented the results of her research on energy policy in the EU: The liberalisation of the energy market did not deliver on its promises – lower consumer prices, fairer competition and innovative solutions, ending the (formerly state) monopolies. Instead, there are higher prices, more monopolies, little progress in the introduction of CO₂-neutral energy supply. Gas and oil remain the main primary sources of energy, while energy consumption is increasing. In 2020, 36 million Europeans were unable to keep their homes adequately warm. One in four households in

Spain, for example, could not afford the necessary cooling during the summer before the pandemic. There, more people died from the effects of energy poverty than from car accidents. The current energy crisis is a further exacerbation. There are regional specificities, but energy poverty is structurally linked to other types of inequality, e.g. those based on age, gender, health, ethnic origin and, of course, income. One of the main findings of Dr Weghman's research is that publicly owned energy suppliers would be much better able to provide affordable energy. For example, in April 2022, the energy prices of EDF's public energy supplier (France) increased by 4 % and in the fully liberalised UK market by 54 %. In addition, the public authorities are better placed to deal with the pressing challenges of climate change. The argument that renewable energy subsidies contradict the liberalised energy market is not valid, as coal and nuclear power also receive subsidies. Public subsidies had led to an increase in renewable energy, and the reduction of such subsidies in many Member States now leads to a decline in their share.

: EU policy should permanently reverse the liberalisation of the energy market and more public funding would be needed at all levels and in all areas of life to invest in the social-ecological transformation.

Rolf Gehring, representative of the European Federation of Construction and Wood Workers, presented the position of European trade unions on cohesion policy and on the main challenges of the current crises. He recalled that cohesion policy, with its aim of approximating living conditions, was enshrined in the EU Treaties and thus had the status of a constitutional mandate. Trade unions would traditionally be concerned primarily with the preservation of jobs and therefore the preservation of industries – even if they do not produce sustainably. Each of the various sectors attempted to maintain or obtain public funding on their own and in the respective region.

However, a broader approach is being established since some time, focusing also on partnership in transformation processes. It is about shaping the world of work and production of tomorrow, with fair and regulated working conditions, including healthy and safe working conditions. Education, training and continuing professional training, as well as research, are also key elements in the process of energy transformation, which would usefully go hand in hand with the further development of materials and technologies. Employee participation is always central to all planning and implementation of support programmes and policies and, in particular, to company restructuring.

A possible link to the New European Bauhaus can be found, for example, in the woodworking industry. Wood is an important raw material in the New Bauhaus idea, which could solve many material problems ecologically. However, this raw material too is a limited resource, must be used in an economic and meaningful manner and come from sustainable cultivation. Without respective international agreements and commitments, Europe would not succeed in the long term.

: Long-term cohesion policy strategies for the green digital, sustainable, social transformation are as important from a trade union perspective as short-term, yet sustainable, aid programs. Shaping concrete working conditions and participation remain central to trade union policy.

Dimitrios Papadimoulis, MEP of THE LEFT group and member in both the budget and regional development committees, briefly presented the existing and planned EU crisis packages. Acute crisis challenges forced the EU to develop new policies, while the

economies and societies still need time to recover from the COVID-19 pandemic. Of course, cohesion policy is ready to help municipalities and regions to receive and integrate refugees and provide education and health services to them. Of course, EU regional politicians want to support the accelerated development of renewable energies and thus the reduction of external energy dependency.

: But is a serious problem that the EU lacks resources, including own resources. The tactics of reallocating regional funding during each crisis are fundamentally flawed, as long-term objectives are in danger. Already during the financial crisis, the opportunity to find new and additional tools to overcome inequalities had been missed – Greece could sing a long song about. With an EU budget of 1 % of GDP and debt brakes, the major crises are no longer manageable.

Rüdiger Lötzer, member of the local council of Berlin-Mitte on behalf of LINKE and chairperson of the Committee on social affairs, citizens' services and housing, raised very practical current challenges faced by municipalities.

For example, the Berlin districts have to prepare for a winter in which even more people cannot heat their homes or do not even have any. Therefore, in these weeks, local support infrastructures ("Kältehilfe") would be expanded, including with the help of EU funds. It was not only since the war against Ukraine began that Berlin was the preferred destination for many migrants and refugees. Since the 2015 Syrian crisis, 3000 to 4000 refugees, including around 1000 children, were still living in temporary shelters in the centre of Berlin alone (around 380.000 inhabitants). Reason: lack of housing, exacerbated by property speculation and touristisation of dwellings (Airbnb). In 2022, Berlin received 50.000 refugees from Ukraine. Many Roma and Sinti came from there and from EU countries. Not only the inhabitants of the city are facing the problem of massive price increases. The local administration are also struggling with the fact that, for example, the prices for publicly funded accommodation for the homeless have doubled.

: There are three main demand towards EU cohesion policy:

Increased support for the municipal level for concrete projects is needed.

EU funding, especially for the poor and poorest areas, must be available and predictable over longer periods. Short-term assistance programs are needed; they cannot provide a lasting perspective for social projects such as accommodation for the homeless.

It was therefore necessary to make and increase long-term and sustainable investments in social infrastructure in order to structurally strengthen the crisis resilience of municipalities.

Eugenia Lleal Fontàs, Senior Policy Analyst at the Conference of Peripheral Maritime Regions (CPMR), discussed the link between crisis programs and cohesion policy and gave an outlook on possible future scenarios in this policy area.

EU cohesion policy has made possible several crisis packages over the past two years (CRII, CRII+, REACT-EU, CARE and FAST CARE). Nevertheless, long-term investment must remain the core task. The Structural Funds should not become emergency instruments on a permanent basis. The partly financing of yet another a crisis package (REPowerEU) from the cohesion funds was problematic: In the medium term, there is a risk that unspent cohesion funds will be more often redeployed to other instruments, thus supporting completely different objectives. In the long term, this development poses a threat to cohesion policy: such as uncertainty and administrative burden for regions and municipalities, consequent

delays in projects, limitation of the role of the regional and local level in the coordination of development strategies, and possibly less funding of structural funds in future EU budgets. Due to the various crises, future scenarios and, as a consequence, cohesion policy after 2027 would certainly be different from those today. The sine qua non in this re-design process is always the involvement of regional and local levels. A stand-alone crisis management instrument within the next medium-term budget (MFF) or even as part of cohesion policy could also be envisaged.

: The balance between long-term and short-term objectives and between flexibility and fundamental principles remain a permanent task. Cohesion policy, with its constitutional mandate of approximating living conditions, has a key role to play in ensuring cohesion and resilience to crises in the EU.

Younous Omarjee, Chair of the Committee on regional development in the European Parliament and MEP of THE LEFT, gave the closing remarks. He saw cohesion policy on the right track in terms of sustainable support strategies and a socially balanced energy transition. The inconsistency between traditional structural support and acute crisis packages was however, obvious. At the same time, nobody deplored the aid packages for municipalities, people and SMEs. The pandemic made changes to the old objectives of the funding period inevitable.

: Nowadays, crises on issues such as food security, energy supply, climate change, natural disasters, economic and financial situation appear to become permanent. The taxation of crisis profitters is an initial step in order to tackle such crisis. Economic and social cohesion in the EU, within and between regions, especially in crisis management, must not be neglected.