

## The Consumer Voice in Europe

Ref.: BEUC-X-2019-077

29 November 2019

### **Subject: Consumers' mission letter for a European Green Deal**

Dear Executive Vice-President Timmermans,

On behalf of BEUC, The European Consumer Organisation, I would like to congratulate you on your appointment. During the period of the Juncker Commission, we very much appreciated that you supported the strengthening of the EU's Ecodesign rules and proposed a consumer-friendly Sustainable Europe by 2030 strategy.

We were happy to learn during your European Parliament hearing on 8 October that the European Commission will focus all efforts throughout its 2019-2024 term on ensuring a just transition towards low carbon societies by 2050.

BEUC sees an ambitious EU consumer policy as a tool for sustainable development. While well-designed policies can promote both consumer interests and sustainable development, ill-defined sustainable development strategies bear the risk of penalising consumers, particularly the more vulnerable ones.

To support you in this important task of combatting climate change and developing a European Green Deal, we would like to present you with what we think should be your mission in integrating the consumer interest into your policy portfolio.

#### ***The current shortcomings***

Consumers are affected by and will increasingly suffer from the impacts of a changing climate in their daily lives, with negative consequences such as:

- Higher living costs related to increasing prices for food, energy and transport, and for insurance premiums to protect properties against environmental disasters;
- Endangered food security and more limited diets due to biodiversity loss, including shrinking fish stocks and limited fresh water;
- Health threats due to increased exhaust gases in the atmosphere, negative impacts from extended heat waves and new diseases;
- Depletion of natural resources, which puts the welfare of entire societies at risk.

To turn the tide, we urgently need to achieve systemic changes in how we produce and consume. Yet there are multiple market failures preventing consumers from engaging in these changes.

First, the polluter pays principle does not work. Consumers who would like to live more sustainably often must pay more or make greater efforts to use sustainable products and services.

Second, the distribution of costs is often unfair when price signals are used to finance a sustainable transition such as in energy markets. As a result, consumers have to pay to invest in renewable energies while companies receive generous exemptions.

Third, consumers too often receive misleading information about the sustainability of products. While simply providing information will not incentivise people to change their behaviours, clear, comparable and credible information and advice provided in a user-friendly way, in combination with regulatory instruments, are pre-conditions for the rewarding by consumers of the most environmentally-friendly products and services.

Fourth, consumers do not always receive value for money. Studies find that consumers replace products more frequently today than in the past, leading to ever-greater quantities of waste. Among the reasons for this is that manufacturers lack incentives to design long-lasting, repairable, recyclable and reusable products.

Fifth, consumers are faced with imperfect timing in the various transitions. For example, in the area of electric vehicles, change has not been made easy for consumers. While more models have become available and support schemes have been put in place, there are still obstacles for consumers to invest in e-vehicles as the necessary infrastructure is missing, charging points are defective, prices are not transparent, and payments are complicated. Similar examples can be found in other areas of daily life, including energy, food and housing.

### ***Our proposals for your mission: enabling consumers to live more sustainably***

What is needed is a broad, systemic approach to human development. Consumer organisations can and must play a crucial role in this transition. We believe that changes in consumers' consumption patterns and lifestyles can and must be part of how the challenges of global warming are addressed. The Finnish Innovation Fund [Sitra](#), which will be led by your former colleague Jyrki Katainen, has for example identified the following areas with the greatest potential for emissions reduction: car-free private travel and commuting, vehicle fuel-efficiency improvement, living nearer workplaces and in smaller spaces, renewable grid electricity and plant-based diets. The implementation of these projects can substantially reduce consumers' individual footprints, but will depend upon their active engagement in the transition.

During BEUC's General Assembly in November 2019, our members selected the following priority areas for future work. These priorities are based on where we see the largest impact of consumption on the climate as well as the greatest potential for positive consumer engagement.

- **Sustainable financial services:** We urgently need to increase transparency and consumer awareness about the climate impacts of financial products. More and better value offers must be made available to consumers for green savings and investments. Access to well-designed and responsible financial solutions for energy efficient investments (e.g. house renovation, installation of heat pumps) must be facilitated. We also need to reduce investment in 'brown' activities, and ensure that consumers can rely on trustworthy financial advice that takes environmental, social and governance (ESG) criteria into account.
- **Sustainable mobility:** We urgently need to strengthen public and intermodal transport as well as a consumer-friendly roll-out of fully electric vehicles. The reduction of CO<sub>2</sub> emissions from road transport must be accelerated, and consumers should be better informed about the environmental impact of their cars. Kerosene should be taxed to reflect the true environmental and climate costs of aviation, and revenues should be reinvested in rail and public transport in order to create a level playing field for train transport.
- **Sustainable housing:** We need to improve energy efficiency in buildings, which currently account for the largest share of energy consumption in the EU, and speed up their decarbonisation. Most of the housing stock for 2050 already exists today. Given that most of this stock is inefficient and that 45% of total energy consumption for heating and cooling in the EU is used in the residential sector, we need higher renovation rates, a switch to renewable heating and cooling, and the use of the most efficient products and appliances.

- **Sustainable food:** We see a great potential for engaging consumers in low-carbon diets and for a transition towards sustainable food systems. In order to enable consumers to buy healthy food on a healthy planet, we urgently need to increase transparency about the climate and sustainability impacts of food. Information is not enough, however, and the consumer food environment must also change, including getting the prices right.

The European Green Deal will need consumer engagement in order to fulfil its potential to mitigate the climate crisis. We must make sure that the upcoming transition will be inclusive and fair for all consumers. We must also ensure that consumers are not unilaterally paying for and carrying the burden of adapting their lifestyles.

We believe that European policy-makers have a bold mandate from the European public to take courageous decisions within the coming years in order to mitigate further global warming.

Please find more specific suggestions on those topics in the Annex to this letter. We look forward to meeting you, and would be very happy to discuss those suggestions with you in more detail.

Yours sincerely,

Monique Goyens  
BEUC Director General

# SUSTAINABLE FINANCE

How green is my money?

## 01 Why it matters to consumers

The financial system must serve people's needs. Society is facing many environmental and social challenges, and financial service providers must take their share of responsibility in the transition to a low carbon and green economy by steering funds towards sustainable activities. More and more consumers are conscious of the urgent need to address climate-related and social challenges. In this context, they need the right guidance and incentives from financial markets.

## 02 BEUC vision and priorities

As part of the Green Deal, the European Commission is expected to develop a green financing strategy to ensure that the EU can direct investment and financing to facilitate the transition to a climate-neutral economy. Alongside public funding and investment, consumer finance will be an important part of that strategy. We therefore invite the Commission to put forward policy proposals to steer consumers towards savings, borrowing and investment options that are environmental, social and governance (ESG) compliant. BEUC's policy recommendations are built around transparency, awareness raising among consumers, developing good value products and ensuring that consumers can rely on trustworthy financial advice that takes the ESG criteria into account. We call on European policy makers to:

- Ensure that the **EU taxonomy for financial products also includes a brown taxonomy**, listing unsustainable economic activities exposed to climate and environmental risks. A harmonised EU classification of green and brown activities will provide a solid basis for developing trusted eco-labels, combatting greenwashing and the gradual phasing-out of brown activities.
- Ensure that **sustainable finance is part of the Capital Markets Union strategy**. Consumers expect a decent return on their investments and pension savings. It is therefore important that the availability of good value, ESG-compliant investment offers is expanded.
- Ensure that **EU consumers can rely on trustworthy financial advisers and intermediaries when making saving and investment decisions**. Consumers rely on financial advice when considering important financial decisions, such as saving for their retirement, taking out life insurance policies and investing money for a rainy day. However, commission-based financial advice, where financial advisers are remunerated by product manufacturers for recommending a specific financial product to consumers, often leads to biased advice to the detriment of consumers. The EU should ensure that all financial advisors are trustworthy and that they guide consumers in choosing good value, ESG-compliant investment products. BEUC calls for an EU ban on the payment of commissions for advice on retail investment products and other complex financial products.
- Ensure that **low interest green loans for energy efficient investments are available to consumers**. These products should comply with responsible lending principles: for example no aggressive marketing of loans to consumers and loan underwriting standards based on the strict assessment of creditworthiness.
- **Provide support for projects aimed at raising consumer awareness about sustainable financial products and providers**. Consumers are usually unable to trace the flow of the money they entrust to financial institutions. They are not, for example, able to see whether their bank deposits are lent to firms that operate in sustainable fields of activity, or whether their investment or pension pot is invested in green stocks and bonds. The Fair Finance Guide is an example of a project implemented in several EU countries that promotes consumer awareness by ranking financial institutions according to sustainability criteria.

# SUSTAINABLE MOBILITY

Easy and affordable travel to lower our footprint

## 01 Why it matters to consumers

Many Europeans have no other choice than to use their own cars to fulfil their mobility needs. This is the consequence of decades of urban and economic policies based on the assumption that individual, petrol-fuelled car ownership is the ideal way to move from A to B. The result is a mobility system focused on driving, which is inefficient, expensive and bad for the climate, the environment and public health. In parallel, the aviation sector is one of the fastest-growing sources of CO<sub>2</sub> emissions and could become one of EU's biggest emitters by 2050. Consumers could save a lot of time and money with multimodal and sustainable transport, but the current system simply doesn't give them this option.

## 02 BEUC vision and priorities

Fuel costs do not reflect the impact that different modes of transport have on the climate and the environment. Introducing a carbon price for transport at EU level could be a way to encourage more sustainable mobility solutions. However, such a carbon tax would only be socially acceptable if all revenues were to be reinvested in measures enabling consumers to move towards more sustainable transport modes (for instance lowering VAT on public transport and rail, investing in public transport, or helping people switch to fully electric cars through well-designed purchase incentives). Kerosene taxation could also be introduced at EU level, with all revenues being dedicated to funding more sustainable alternatives such as the shift to rail.

In recent years, significant progress has been achieved in bringing down CO<sub>2</sub> emissions from passenger cars. But our efforts should not stop there. The Commission should not extend the EU Emissions Trading System (ETS) to road transport, but should instead focus on setting more ambitious long-term **car CO<sub>2</sub> reduction targets. In 2023, these targets will be revised.** This should be an opportunity to increase our ambitions: for instance by setting a date sometime between 2030 and 2035 for the phase out of new fossil fuel cars.

The market offer of battery electric cars is expected to significantly expand in the next two years. But the move from a niche to a mass market product will only happen if electric driving is a handy option in people's daily lives. Very concrete issues such as range anxiety and easy charging must be addressed swiftly. Charging tariffs should be easy to understand and should be based on a uniform price/kWh scheme. Consumers should be able to pay with debit card and cash at publicly accessible charging stations. The Commission should revise the **2014 directive on alternative fuels infrastructure** to tackle these issues.

Consumers also need to be better informed about the environmental performance and characteristics of their cars ahead of their purchasing decisions. The current **EU Car Labelling Directive** needs to be updated and harmonised in order to provide European consumers with more reliable information on the real fuel consumption of cars, as well as estimates for running costs and polluting emissions. The new label should provide better information on electric vehicles, such as the real driving range and average charging time. Finally, the regulation should also cover second-hand cars, and with the growing amount of online sales must be made fit for the digital era.

In order to make our mobility more sustainable and efficient, people should also be able to rely on a much more **multimodal transport system**. Investments in public and active modes of transport should be increased, and more efforts should be made to improve convenience for consumers. For instance, the rights of passengers choosing more environmentally-friendly solutions, such as rail or multimodal journeys, should be significantly strengthened through better **EU passenger rights**. The European Commission should also promote **EU-wide integrated ticketing and payment systems**, which would enable consumers to book multimodal trips involving different modes of transport and operators via a single platform.

# SUSTAINABLE HOUSING

Heat our homes, not the planet

## 01 Why it matters to consumers

Energy inefficient homes and a lack of access to more sustainable solutions result in increasing and uncontrollable energy costs for a large number of consumers. As buildings account for the largest share of energy consumption in the EU and most of the housing stock of 2050 already exists today, future policies should focus on higher renovation rates and affordable heating and cooling. In addition, fuel switching so that a majority of homes make use of renewable heating and cooling systems as well as the implementation of the most efficient products and appliances, smart building/appliances management systems, and improved materials for insulation are required.

## 02 BEUC vision and priorities

The upcoming European Green Deal is a once-in-a-lifetime opportunity to address the climate crisis. It should speed up building renovations and set a European framework to make heating and cooling sustainable and affordable for all. Consumer engagement in the energy transition is important for public acceptance. Although consumers are interested in actively contributing to the energy transition, they need to be convinced that they can save money, improve their comfort levels and enjoy a guaranteed security of supply. They must also be reassured that policy-makers are choosing the most efficient path towards a climate-neutral Europe. To this end, we urge EU policy-makers to:

- **Ensure that the sustainable choice is an easy choice.** Consumers need clear information so that they can easily identify the best solutions for them: for instance when making choices about their energy use or when investing in clean technologies (such as heat pumps). They need adequate advice by skilled professionals and assistance when renovating their homes. While information is important, it must also be accompanied by financial incentives and well-designed, stable policies that provide investment certainty.
- **Make heating and cooling greener, smarter and protective of consumers.** The EU has put a lot of effort into ensuring that electricity markets in particular are digitalised, decarbonised, competitive and consumer-centric. However there is a need to improve competition, consumer rights and protections, as well as to increase efficiency and shift to renewable sources in the heating and cooling sector. As stressed at this year's Citizens' Energy Forum in Dublin<sup>1</sup>, consumers of gas, electricity and district heating goods and services should be equally well protected, and should benefit from equivalent rights, redress and enforcement. Europe therefore needs a clear strategy for this sector.
- **Steer consumer choices by fiscal policies, but ensure that revenues go into improving the energy efficiency of households.** Fiscal tools in the electricity and heating and cooling sectors such as an effective carbon price can encourage households to buy fewer emissions-intensive products and motivate energy producers to use cleaner sources. However, a carbon price needs to be accompanied by social measures that reduce energy costs for households, especially for consumers with low incomes and in vulnerable situations. Revenues should then be steered towards energy efficiency improvements in households. Moreover, the EU's energy taxation rules should be revised so that they are in line with its climate objectives. While energy bills include policy costs among others, they often do not reflect the real costs and externalities of energy production. Also, consumers should not be taxed twice on their energy bills (e.g. VAT on environmental taxes), and taxes that have no connection to electricity consumption should be removed from consumers' bills.

<sup>1</sup>[https://ec.europa.eu/info/events/11th-citizens-energy-forum-2019-sep-12\\_en](https://ec.europa.eu/info/events/11th-citizens-energy-forum-2019-sep-12_en)

- **Provide investment incentives to consumers.** Today's investment decisions will determine whether or not Europe becomes carbon neutral. Housing renovations and clean technologies require significant initial investments, which in particular may not be feasible for low-income households and tenants living in multi-storey buildings. Solutions such as support schemes, renovation programmes, green loans, leasing schemes and incentives for landlords will be key. Investment incentives should be also high on the agenda of future funding, such as the Horizon Europe scheme, the Just Transition Fund and Europe's climate bank.
- **Analyse the distribution impact of sector coupling.** End-use sector coupling<sup>2</sup> is considered to be one of the core strategies in the decarbonisation process. The European Commission should conduct a thorough analysis of the impact of sector coupling, including the distributional impact on consumers, to ensure that further actions to decarbonise the energy system do not put an extra burden on them. For instance, a study by our German member, vzbv, concluded that sector coupling in the heating sector can be cost-neutral for consumers only in energy-efficient buildings.
- **Design policies based on the polluter pays principle and ensure that the costs of the energy transition are fairly shared.** Too many industries receive massive reductions in their energy bills, which results in unacceptable costs being passed on to households. The European Commission should ensure that the costs and benefits of the energy transition are fairly distributed, and that certain groups of consumers are not disproportionately affected. This will only be possible if consumer interests are more prominently considered in the upcoming revision of the Guidelines on State Aid for Environmental Protection and Energy 2014-2020.

<sup>2</sup>The concept of 'sector coupling' encompasses co-production, combined use, conversion and substitution of different energy supply and demand forms: electricity, heat and fuels. Source: Renewable Energy Policies in a Time of Transition. IRENA, OECD/IEA and REN21, 2018, p. 93.

# SUSTAINABLE FOOD

Healthy food from a healthy planet

## 01 Why it matters to consumers

A growing number of consumers are willing to eat food that is good for their health and good for the health of the planet. Yet they struggle to make better food choices due to the insufficient availability, affordability and convenience of healthy and sustainable food. Knowing what to buy can also be a headache, as consumers are confronted with inconsistent and at times conflicting messages about what is (and what is not) healthy and sustainable.

## 02 BEUC vision and priorities

BEUC is very much looking forward to the publication of the Farm to Fork strategy for sustainable food, which has been announced as part of the Green Deal. With this initiative, the EU has a unique opportunity to make healthy and sustainable food choices easier for consumers. By doing so, the EU will not only deliver on its international climate and sustainable development commitments, but it will also make a tangible, positive change in the lives of its citizens.

For that change to happen, the Farm to Fork strategy must:

- **Ensure greater coherence** between the various EU policies (agriculture, health, environment, trade, etc.) that affect food. This includes for instance better aligning all forms of agricultural subsidies and promotion policies with recommendations for healthy and sustainable diets.
- **Take a holistic approach to sustainability, and clarify what we mean by ‘sustainable’ in relation to food and food systems.** Food sustainability has multiple dimensions that all need to be addressed in the Farm to Fork strategy. Health, which is often neglected as an important dimension of food sustainability, should be given the prominence it deserves as healthier food choices almost always benefit the climate and the environment. Synergies between various dimensions of sustainability must be exploited, whilst trade-offs, where they exist, need to be openly debated with all food chain actors, including consumers.
- **Be ambitious, with concrete targets.** A lot of what needs to be done is already known, but political courage is required to make it happen. Because “what gets measured gets done”, the Farm to Fork strategy must set ambitious quantitative targets to help assess progress towards sustainability objectives across all food sustainability dimensions.
- **Empower consumers to adopt healthy and sustainable diets.** Through their food purchases, consumers can drive change and steer food systems towards better outcomes. Healthy and sustainable food choices must be easily identifiable through improved labelling (e.g. mandatory simplified front-of-pack nutrition labelling).
- **Foster systemic change.** No matter how well-informed consumers are, their food choices remain heavily influenced by the food environment in which they make these choices. The Farm to Fork strategy must increase the availability, affordability and attractiveness of healthy and sustainable food. This includes getting food prices right; the healthy and sustainable choice should not be the more expensive one.
- **Have full buy-in from consumers.** The Farm to Fork strategy must consider the needs of consumers in the food system transition. It must ensure that food is produced in a way that is acceptable to them and based on the standards that they expect. Consumer organisations can play a key role, not only in bringing the consumer perspective to the policy debate but also in mobilising consumers (through information provision, awareness raising and campaigning). Only with consumer participation can the food system be shifted onto a more sustainable path.