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Article

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The European Green Deal, as a priority of the European Commission, includes a plan to make the EU economy sustainable and competitive. The way this can be done is to turn climate and environmental challenges into opportunities. To achieve this goal, massive investments from public funds are foreseen, as well as a reorientation of the financial system and private investments towards projects that reduce the carbon footprint and entail other positive environmental externalities. These intentions have been welcomed by the governments of the member states, the business community, and European citizens.

However, the implementation of this plan is particularly complex and involves several dilemmas and challenges. Some risks have been identified in the strategy itself. These include concerns about the potential competitive disadvantage at global level, as well as concerns about possible adverse effects in terms of the well-being of European citizens. Among the measures envisaged to prevent such risks is protecting the EU economy through a system of border taxes, as well as the concern to ensure fairness throughout the transition.

The European Commission and the Member States must ensure that the public and private investment effort will be effective both in achieving environmental objectives and in terms of macroeconomic and sectoral effects. In general, national and supranational actors are counting on a change in the system of economic incentives. Although some principles are formulated, they are accompanied by a long list of unknown factors and outcomes. In this regard, it is necessary to ensure that competition will not be altered to the detriment of social welfare. The research published in this issue of the *Amfiteatru Economic* journal contributes to identifying concrete problems and providing possible solutions.

Climate risks have medium- and long-term effects on the degree of financial development at the macroeconomic level. The study entitled "*The Assessment of Climate Risk Impact on the Economy: A Panel Data Approach*" investigates how climate risk influences several variables, including country risk, capital market developments, and competitiveness. The authors used a sample of 22 countries, including 16 EU members and six OECD members, between 2008 and 2019. The results point to a negative relationship between the climate risk dynamic and the evolution of stock market capitalization as a percentage of GDP. The authors suggest that a country's level of competitiveness is less influenced by the level of climate risk, provided that the authorities and companies in each country are concerned with the implementation of climate risk management policies.

A second study with panel data examines the dynamic relationship between financial development and environmental degradation in the European Union. Using a sample of all EU member countries between 1996 and 2018 (28 countries), the study entitled "*An Empirical Assessment of the Financial Development – Environmental Quality Nexus in the European Union*" suggests that financial development contributes to higher carbon emissions. However, this effect is stronger in the short term and weaker in the long term. At the same time, the development of financial institutions makes a major contribution to the

increase in environmental degradation in relation to the financial markets. This result points to the need for financial institutions to refocus on offering financial products that limit environmental degradation. This article provides arguments for reconsidering the role of financial development as an effective means of reducing environmental degradation in the European Union.

The energy transition, from fossil fuels to renewable energy, can lead to the decentralization of energy systems. The economy of the energy transition will change the global economic map. The paper “*Factors Supporting the Transition to a «Green» European Economy and Funding Mechanism*” addresses the problem of identifying factors that can support the complex transition to a new economy paradigm. The study proposes a methodology to analyze the influence of four exogenous factors (fossil fuel energy consumption, renewable energy consumption, the number of researchers involved in innovation, and the value of domestic credit to the private sector) on macroeconomic variables (gross domestic product and exports of goods and services). The results obtained show that all four independent variables significantly influence the economic performance of the selected countries in the European Union. The significant impact of renewable energy consumption is highlighted, supporting the hypothesis of the benefits of the energy transition.

Among the actions proposed by the European Green Deal, the consumption of renewable energy is accompanied by the goal of improving energy efficiency and reducing energy consumption. The study entitled “*The Interaction between Renewable Energy Consumption and the Institutional Framework from a Circular Economy-Based Perspective*” addresses, through a microeconomic analysis, the association between renewable energy consumption, management decisions, energy efficiency policies, and sustainability innovation capacities. The results indicate that the evolution of renewable energy consumption at the company level depends on the commitment of managers to implement sustainable development strategies and effective governance processes. The authors discuss the role of institutional actors at the national level, which should ensure proper regulation, effective enforcement mechanisms, and financial incentives that promote the use of renewable energy.

The European Union aims to achieve climate neutrality by 2050. However, the decarbonization mechanism developed at the European level through the European Union’s Green Deal faces major challenges. The article entitled “*Decarbonization of the Romanian Economy: An ARDL and KRLS Approach of Ecological Footprint*” uses the Environmental Kuznets Curve (EKC) paradigm to study the causal relationship between the ecological footprint, as an indicator of sustainable development and several variables (i.e., gross domestic product per capita, the KOF globalization index, fossil fuel energy consumption, and carbon dioxide emissions). The results indicate the existence of a relationship between these variables, in the long-term and in the short-term. Thus, there is the need to set up instruments aimed at climate neutrality, according to the objectives assumed by Romania through the Green Deal of the European Union.

The European Green Deal, adopted in 2019, sets the roadmap towards a European economy with net zero greenhouse gas emissions. In this context, the food industry is responsible for a significant proportion of greenhouse gas emissions, which leads to environmental degradation. The authors of the article entitled “*Financial and Competitive Implications of the European Green Deal – Perceptions of Retail Managers*” conducted qualitative research through in-depth interviews with Romanian managers of important retail companies in the Romanian food sector. The results of the research revealed opinions and perceptions that confirm the importance of applying the principles underlying the Green Deal. The authors of the study identify solutions to achieve competitive advantages and optimize costs by reducing carbon emissions, using clean energy, reducing food waste, and educating clients toward sustainable consumption.

The 2015 Paris Agreement on combating climate change brought to the fore a key question: could we live without coal? Members of the *Powering Past Coal Alliance*, including the European Union, have pledged to phase out coal by 2030. The study entitled “*Decarbonization and financial performance of energy companies*” aims to investigate how the profitability of groups that operate (or have shut down) coal-fired power plants in the European Union has evolved. This research highlights how different groups of companies reacted to the EU’s decarbonization objectives and if their reactions were also reflected in financial performance. The study includes 21 groups of companies that cover more than 70% of CO₂ emissions from coal-fired power plants in the EU. The analyzed companies were classified into four homogeneous groups: leading companies, rising companies, companies that make sacrifices and companies that stagnate. Thus, a two-way relationship between the environmental and financial performance of companies was identified.

The performance of the banking industry is assessed on the basis of environmental, social, and governance criteria for sustainable development. The purpose of the article entitled “*Do sustainability risks affect credit ratings? A research on European banks*” is to study the effect of ethical controversies on the credit rating of the European banking sector, involving 65 European banks from 18 countries over the period 2011-2020. Research suggests that scandals involving banks have a negative effect on credit ratings. In addition, environmental, social or governance controversies are a factor that negatively affects the likelihood of a higher credit rating in the future. Therefore, European banks should pay particular attention to avoiding such controversies as a source of reputational risk, so that their credit ratings are not affected.

The concept of ‘green growth’ refers to economic growth that is completely decoupled from CO₂ emissions and the use of fossil fuels. The assessment of green growth in the context of the Green Deal in European Union countries provides national authorities with a tool to measure the maturity of the Green Deal. The article entitled “*Multi-criteria for green growth in the context of the European Union’s Green Deal*” proposes a multi-criteria-indicator assessment model with four criteria to monitor progress toward green growth: 1. Industrial productivity relative to CO₂ emissions; 2. The annual temperature of the Earth’s surface; 3. Average exposure of the population to fine particulate pollution; 4. Environmental tax. By applying the multi-criteria model at the European Union level, Ireland is assessed as the country with the highest level of green growth and Latvia as the country with the lowest level in 2020.

The nine research papers included in the thematic section of the journal suggest multiple solutions to the challenges posed by the European Green Deal. The transition to renewable energy sources is demonstrated to be a sustainable solution, with effects on the macroeconomic reconfiguration of the European area. Responsible initiatives regarding the financing of energy projects are also needed, both at the state level and in the domain of private credit institutions. Green growth is a macroeconomic construct for which it is necessary to define calculation methods based on reliable and relevant indicators. However, there is also a microeconomic and sectoral perspective, which highlights the commitment of managers to strategies focused on sustainable development, but also the impact of governance processes on the financial, ecological and reputational capital of firms. This issue of the journal makes significant contributions to the exploration of double materiality: the impact of environmental, social, and governance (ESG) aspects on financial performance, as well as the impact of industrial activity on the environment and society.

**Associate editor,
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