



**EEB CONTRIBUTION TO DISCUSSION ON  
*Future of the Lisbon Process,  
the contribution of the Kok Group***

- a. Lisbon and the Sustainable Development Strategy
- b. The contribution of the Kok Group
- c. EEB's call for action to Commission, Council and Parliament

**A. LISBON AND THE SUSTAINABLE DEVELOPMENT STRATEGY**

**We made progress from Lisbon to Gothenburg.....**

In June 2001, the European Council agreed on a strategy for sustainable development and added an environmental dimension to the Lisbon Process for employment, economic reform and social cohesion. The basis for the Council Conclusions was the Communication '*A Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development*' published in May 2001.

The European Council, amongst other things, said:

*'Sustainable development – to meet the needs of the present generation without compromising those of future generations – is a fundamental objective under the Treaties. That requires dealing with economic, social and environmental policies in a mutually reinforcing way. Failure to reverse trends that threaten future quality of life will steeply increase the costs to society or make those trends irreversible.'*

*'Clear and stable objectives for sustainable development will present significant economic opportunities. This has the potential to unleash a new wave of technological innovation and investment, generating growth and employment. The European Council invites industry to take part in the development and wider use of new environmentally friendly technologies in sectors such as energy and transport. In this context the European Council stresses the importance of decoupling economic growth from resource use.'*

*'The Union's Sustainable Development Strategy is based on the principle that the economic, social and environmental effects of all policies should be examined in a coordinated way and taken into account in decision-making. 'Getting prices right' so that they better reflect the true costs to society of different activities would provide a better incentive for consumers and producers in everyday decisions about which goods and services to make or buy.'*

**.....let's not reverse that progress!**

As sustainable development is a fundamental objective laid down in the EU Treaties and Constitution, the EEB expects the new European Commission to take these commitments seriously and put sustainable development at the heart of its strategic objectives from the start, integrating the Sustainable Development Strategy (SDS) of 2001 in these objectives, reinforced where necessary. Furthermore, we want to emphasize that, in addition to a domestic obligation, we have global responsibilities. The EU has to lead by example with respect to sustainable production and consumption patterns which were at the core of the Rio commitments in 1992 and were again endorsed in Johannesburg in 2002.

Putting sustainable development at the heart is an essential step for a Commission that wants to lead the EU in the spirit of the new Constitution, truly serving its citizens, with responsibility to the earth and its peoples, and with a courageous and creative vision on economic modernisation. In particular the further implementation of the Lisbon Strategy should be brought in line with the SDS.

### **Creating synergies**

A coherent approach to sustainable development offers opportunities for environmental, social and economic improvements at the same time, but synergies do not arrive automatically. Too long, traditional tunnel thinking has been applied which leads to one-dimensional solutions with trade-offs for the other dimensions. It takes creativity, innovative approaches and political courage to force a breakthrough where economic, social and environmental policies are combined into new solutions.

At the end of 2003, the EEB with ETUC and the Social Platform published a Manifesto called '*Investing for a Sustainable Future*'. These three large umbrella organisations, representing environmental, social and economic interests, called both for macro-economic policies and specific investment programmes that lead to synergies for social, environmental and economic (employment) objectives. In a separate publication, '*Investing for a Sustainable Future, from best practice to common practice*', we described concrete existing examples to underpin our demands.

In July 2004, the Dutch EU Presidency held an informal Environment Council for a large part devoted to eco-innovation, under the title: '*Clean, Clever, Competitive*'. The underlying research, workshops and papers offered a wealth of information and examples on business initiatives, barriers, policies and instruments that enhance eco-innovation. The suggestion is that a mix and combination of instruments is needed: subsidies, loans, fiscal facilities, regulation, benchmarking, procurement, green taxes and funds can all contribute.

### **B. THE CONTRIBUTION OF THE KOK GROUP**

The report of the Kok Group, published on 3 November 2004, does not question the main objective of the Lisbon Process, that the EU should become the most competitive region in the world by 2010. Using as a main indicator a comparison in GDP/capita with the USA, this remains a problematic objective. This orientation represents economic development in terms of the survival of the fittest, neglecting the fact that we are human beings with the intellectual capacity to organise the world in a

different manner as well. And this is relevant because the survival of the fittest in the modern context could well mean increased over-exploitation of the world's environment, the marginalisation and impoverishment of large populations, and increased tensions between people. In other words, this is a risky path to take. A safer road to take, obviously demanding much more political leadership, is the one promoting global sustainable development, in partnership with other countries of the world.

However, the Kok Group did not, as some feared, promote economic progress blindly at the cost of other values. With regard to the social agenda, the EEB wants to rely on the judgements of citizens' organisations working on (parts of) that agenda. With regards to the environment, the Kok Group brought a mixed, but on balance positive message.

The most clear negative element is the Kok Group's unqualified support for the Quick Start Programme for priority infrastructural projects. This Programme includes projects with a clear negative impact for environment and biodiversity.

The issue of reducing burdens for business and industry is being dealt with carefully. The report speaks more about administrative than about legal burdens. It does not single out environment as a specific area of concern. But in presentations a less nuanced version is presented.

However, the Kok Group does confirm that environmental protection is a core objective for the EU and a key value in its own right: *'[...] the case for reinforcing integration of environmental considerations into the strategy is strengthened by the need to seriously address the existing pressures on the environment in order to avoid damage to health, biodiversity, property, and economic activity, now and in the future. Failure to act now means greater, and possibly irreversible, damage or higher remedial costs in the long term.'*

It states that the contribution of environmental policies to social and economic objectives is not a 'conditio sine qua non', but an opportunity which has been so far too little acknowledged, explored and stimulated.

The Kok report, like the Dutch Presidency, focuses on the synergy between economy and environment. The EEB wants to underline that the social dimension is equally important. Groups in a social weaker position in our societies are on average more exposed to environmental risks, have relatively higher energy costs and have a less pleasant living environment, making it more urgent to seek win-win solutions for them.

The report suggests that eco-innovation can contribute to economic objectives. In its key recommendations it singled out a few specific instruments for enhancing eco-innovation: Environmental Technology Action Plan (ETAP) implementation, (green) risk capital for SMEs, removal of harmful subsidies and national and local action plans for public procurement. It promotes internalisation of costs. *'Establishing an appropriate regulatory framework to allow eco-innovations to be taken up in markets is essential. Nowadays prices are distorted in some markets, leading to a misallocation of resources and creating disincentives for investors and buyers to participate. Market prices need to reflect the real costs of different goods and services to society. This requires removing gradually environmental harmful subsidies and including progressively externalities in prices, taking account of other policy objectives such as competitiveness in the global economy and social aspects.'*

It also calls for specific investment promotion policies, including tax exemptions for green investment funds, as practised in the Netherlands.

Finally, the report very clearly calls for using public funds to stimulate eco-innovation: *'National and local authorities should set up action plans for greening public procurement by the end of 2006, focusing in particular on renewable energy technology and new vehicle fuels. The Commission should facilitate the dissemination of good practice among Member States and public authorities.'*

### **C. CALL FOR ACTION TO COMMISSION, COUNCIL AND PARLIAMENT**

**The EEB calls upon the new European Commission and the Spring Council 2005 to take the following actions, and the European Parliament to insist on, support and monitor these:**

#### **1. Tackle the SDS implementation deficit**

First of all, the 2005 Spring Summit should recall the obligations of the Council and the Commission in the field of sustainable development, reaffirm its commitment in general and demand a more specific, accountable and monitored action plan with operational targets and timetables.

#### **2. Make markets really work for sustainable development: mobilize the purchasing power of public authorities**

National governments are now adapting rules to conform to the new EU public procurement legislation agreed in 2004. This EU legislation gives scope to governments and public authorities to promote sustainable public procurement, but it does not make this a requirement.

So, governments have a choice – will they make the most of the possibilities to contribute to sustainable development and create rules that encourage authorities to buy sustainable goods and services? Or will they side-step their commitment to sustainable development and create rules that put obstacles in the path of public authorities that want to do so? The European Commission and Council need to make sure that governments apply systematically high environmental and social standards when asking for tenders.

#### **3. Harmful subsidies: from words to deeds**

For too many years now we have seen Council Conclusions and many other important documents repeatedly recommending the abolition of harmful subsidies. There are impressive lists of subsidies eligible for abolition. The lack of concrete

progress is becoming more and more embarrassing. The EcoFin Council should finally be put to work on this, given a deadline of March 2006 to finalize a determined strategy, with the full involvement of the Environment Council.

#### **4. Investing for sustainable development**

Government is a large spender. Apart from green public procurement, it can also deliberately set up projects or financially support projects which, in an innovative manner, contribute positively to all three dimensions of sustainable development.

#### **5. Make markets really work for sustainable development: many other options**

Internalisation of costs, tax shifts, fiscal facilities, subsidies, green loans, regulation which drives innovation by setting higher performance standards: we need more coherent actions in this field, at EU level, and at national level.

#### **6. Pay special attention to the new Member States**

In the new Member States of the EU the economic and social situation contributes to a strong temptation to focus on (traditional forms of) economic growth first and care about the environment later. This could lead to irreversible deterioration of biodiversity and increase of other environmental and health problems, which by themselves might limit the future prospects for sustainable development in these countries. As the Kok Group report said: *'Failure to act now means greater, and possibly irreversible, damage or higher remedial costs in the long term.'* The Lisbon process should pay special attention to this particular challenge.

#### **7. Promote an ongoing exchange of new ideas**

New ideas and initiatives concerning the different aspects of the concept of sustainable development should constantly be picked up and their potential impact should be examined. Ideas with promising potential need to get the necessary financial and political backing for further exploration and implementation.

#### **8. Resist the pressure for deregulation at the cost of the environment**

While it is possible and indeed necessary to reduce administrative burdens where they have become pointless, existing environmental policies should not be undermined for competitiveness reasons, nor should future legislative steps be hindered by scaremongering about perceived impacts on competitiveness.

## **9. Demystify the relation between environment and competitiveness**

Listen to the OECD when it says: *'Environmental policies can affect production costs with consequences on the competitiveness of specific sectors or industries. The perceived negative impacts on international competitiveness of the most affected – and often most polluting – sectors is often a major concern. It is, however, important to distinguish clearly between the competitiveness of individual companies and sectors of the economy, and that of the whole economy in general. Competitiveness will have a different meaning at each level. A company or sector is competitive if it is able to compete in international markets, with a satisfactory rate of return. For a country as a whole, the concept of competitiveness is more complex. At the economy-wide level, correcting for market failures – for example, by introducing taxes to reflect the costs of environmental externalities – provides an improvement in overall economic productivity. While it may represent increased costs for one firm or industry, it may lead to reduced costs for others. When evaluating a particular policy, the effects on the economy as a whole should be considered, not just the effects on individual sectors. With all policy reforms, there are likely to be winners and losers in the short term. These impacts can be addressed through flanking measures – for example, to smooth the transition for affected workers to new employment opportunities – but their existence should not hamper the realisation of the longer-term economy-wide environmental and economic efficiency benefits that can be achieved through implementing the policy changes.'* [from 'Issues Paper' to Meeting of Environment Policy Committee at Ministerial Level, 20-21 April 2004, OECD].

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