

“LISBON” NEEDS A STRONG ENVIRONMENTAL DIMENSION

THE LINK WAS MADE IN 2001

The 2000 European Council in Lisbon set out a ten-year strategy to make Europe “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion” by 2010. The Lisbon Strategy, introduced a new method of “open co-ordination” – voluntary co-operation and sharing of best practice between Member States, co-ordinated by the Commission – to cover activities under Lisbon that the EU has no constitutional competence over. The Council now meets every spring to follow progress and determine new targets for the Lisbon strategy. At the 2001 Stockholm European Council, it was decided to add a sustainable development dimension was added to economic and social policy as a third ‘pillar’ of the Lisbon process. This was made more concrete at the Gothenburg Summit three months later, on the basis of a Sustainable Development Strategy proposed by the Commission. The EEB had an active role in the preparations of this Strategy and was fairly satisfied with the final proposal the Commission published.

THE REVIEW SHOULD STRENGTHEN, NOT WEAKEN THAT LINK

The Lisbon strategy was due for review and a High Level Group under the guidance of former Dutch prime-minister Wim Kok published a report on the mid-term review of the Lisbon Strategy in November 2004. The EEB welcomed Kok’s report¹, particularly its recommendations on eco-innovation, on getting prices right through removal of harmful subsidies, on providing green risk capital and on green procurement. However, EEB faulted the report on its unconditional support of the Quick Start infrastructure programme that has potentially damaging environmental, social and economic impacts.

On the 2nd and 9th February, the Commission published a number of documents for discussion at the Spring Summit. These documents send contradictory signals. The proposals for the revitalisation of the Lisbon process pay lip-service to the broader objective of sustainable development, but surprisingly mention that ignoring environmental issues may backfire. However, the core message is that economic growth and job creation are the real priorities now and environmental and social interests can and should have patience. On the other hand, the 2004 Environmental Policy Review and the Communication on the 2005 Review of the EU Sustainable Development Review stress that the EU is not making enough progress in tackling environmental problems, that the existence and size of these problems may have a negative impact on the EU’s economic potential, and that tackling them will not have a negative impact on the economy – but could even have a clearly positive effect..

¹ http://www.eeb.org/press/2004/pr_EEB_welcomes_03_11_04.htm

From the Eurobarometer on Lisbon

“The vast majority of people interviewed consider that environmental protection policies are above all an incentive for innovation (64%) and not an obstacle to economic performance (20%). “ Unemployed (58%) have a far less positive perception than managers (77%).

“When it comes to making a choice, European Union citizens give priority to protecting the environment over economic competitiveness (63% compared with 24% who disagree).”

LIP SERVICE IS NOT ENOUGH

More than its predecessors, the spring report 2005 is mainly devoted to the economic Lisbon agenda, not really integrating the social and environmental dimension, as has been the Commission’s ambition since the Gothenburg Summit in 2001. Lip service is paid to the overall framework of sustainable development but only the element of eco-innovation receives special attention. It seems that the often overlooked objective that the Sustainable Development Strategy would be an integral part of the Lisbon process has now openly been dropped. This can only be seen as a principal loss and a political withdrawal from the objective of better policy coherence and integration between the three dimensions of sustainable development

The first message from the Barroso Commission to the wider public was that this spring report is in a political sense a significant step backwards compared to the last reports, dropping the ambition for balanced integration of the three dimensions into the Lisbon process. The publication, one week later, of Communications on the Social Agenda, on Climate and on Sustainable Development seemed to offer some compensation for the disappointments caused by the Lisbon Communication, but cannot hide the lack of political choices for real integration.

All 3 dimensions need to be integrated into the economic model, and we disagree with the suggestion that the economy comes first, and that the money it generates will take care of environmental and social measures. Europe should work hard to create win-win-win approaches simultaneously - but this requires creativity and ambition.

The story of the three children

Mr. Barroso, in his speech to the European Parliament, compared sustainable development with having three children, loving all three, but focussing on the sick child (the economy) until he is well again. This is the major problem: the Commission is not aware that the silent Environment child has a fatal disease which will undermine the health of the whole family, while the noisy economy child has only a cold.

A CLOSER LOOK AT KEY DOCUMENTS

The Lisbon communication: “Working together on Growth and jobs: A New Start for the Lisbon Strategy”

The EEB welcomes the statements on sustainable development as ‘an overarching objective’ and their acknowledgement of the importance of eco-efficiency. These are important elements in the Communication. However, in the crucial texts in the main report concrete action is missing that can help eco-innovations to develop the demand side and gain markets, such as green risk capital, green public procurement, the use of economic instruments and abolishing harmful subsidies. Such action should have been mentioned in the economic reform section in the main report. Similarly, we see little on eco-efficiency and resource productivity in the research section. Several of these elements are mentioned in various other reports prepared for the March 2005 spring summit, but as crucial tools for implementation they should have appeared in the main report. It is now up to the Spring Council to strongly bring such action to the forefront, with explicit timetables and milestones.

From the Kok report

“Firstly, promotion is needed of eco-efficient innovations in major investment decisions, notably in energy and transport. 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.”

The SDS Communication: “The 2005 review of the EU sustainable development strategy: initial stocktaking and future orientations”

Although the actual review document will not appear until later in the year, this preliminary document does offer a good general basis for the review which will have to set out some hard measures, as unsustainable trends have not been curbed so far.

The EEB welcomes the acknowledgement of the delivery gaps and the ambitions expressed by the Commission, to reinforce and operationalise the sustainable development strategy, and to maintain EU leadership in this field. The attention given to clearer objectives and milestones, better monitoring and reporting of results, better definition of necessary structural changes and better involvement of stakeholder are all positive steps.. Also important are plans to increase the integration of the external dimension and to examine the relation between the Sustainable Development Strategy and external EU policies. However, the suggestion of presenting *new* headline objectives raises some doubts: it is of utmost importance that the existing objectives from the SDS and the 6th EAP are actually implemented². In any case weakening earlier objectives or postponing action because the debate on objectives is reopened is unacceptable.

The focus of the review should be on the political decisions and activities necessary for implementing the existing objectives. Very important concrete action is needed to adapt the rules of the marketplace to foster sustainable production and consumption. In the SDS

² Quote: “The revised strategy will therefore present new headline objectives for each of the unsustainable trends and set the intermediate milestones which will allow the EU to monitor actual progress”

Communication the importance of market-based instruments is mentioned, but it seems that responsibility for this will rest with the Member States – which will hamper real progress. Again, the most (cost) effective way and appropriate political level for arriving at market-based instruments is to agree on concrete action at the Spring Summit.

The main instrument mentioned in the Communication for creating policy coherence is the “balanced Impact Assessment mechanism” (replacing the sustainability assessments planned for at the Gothenburg Summit). The EEB has so far experienced that this instrument was not balanced at all, giving more concrete attention to short term business impacts and inadequate attention to the other two dimensions. The Impact Assessment instrument will have to improve dramatically in order to become credible.

From the Environmental Policy Review 2004:

“New Findings

There are growing findings that environment policy and eco-innovation can promote economic growth and maintain and create jobs, contributing to competitiveness and employment. There is an expanding world market for environmental goods and services, estimated at over €500 billion in 2003. The eco-industries sector employs more than 2 million people in Europe, and continues to grow at around 5% per year. There are promising market opportunities for eco-efficient products. The emergence of large dynamic economies like Brazil, India or China puts growing pressure on natural resources and boosts global pollutant emissions, calling for improved energy and resource efficiency both there and at home.

Environmental constraints to rapid economic growth are increasingly recognised by countries like China, leading to a rising awareness of the need for sustainable development and thus offering interesting market openings for environmental technologies.

For example, recent reports show that:

- *the net impact of environmental policy on jobs is neutral or slightly positive;*
- *eco-industries have been performing better than the rest of the economy;*
- *renewable energy and energy efficient measures increase security of energy supply and reduce economic losses from oil price volatility, while reducing greenhouse gas emissions and waste of finite resources;*
- *the competitiveness effects of industrial air pollution expenditure are generally limited;*
- *a growing number of companies and investors are taking a proactive interest in environmental performance and a number of recent studies indicate that good environmental management is linked to greater efficiency, better financial performance and opens up new markets.”*

The Review then proposes some measures to “take full advantage of the contribution that environment policy can make to EU competitiveness:

- *EU and national commitments to implement the Environmental Technologies Action Plan;*
- *Reflect on how to make prices better integrate costs to society;*
- *The thematic strategies on the sustainable use of natural resources and on waste prevention and recycling.”*

The Review also concludes that “there are also areas where short-term action is needed, as failure now may lead to higher future cost or irreversible damage and to lost opportunities for cost-effective solutions.”

The Communication on Climate Policy

In this document, the Commission shows that tackling climate change can be done at low cost if strong policy measures, such as eliminating subsidies to coal, oil and gas, are taken and implemented at an early stage. These subsidies currently cost Europe €23.9 billion per year, according to the European Environment Agency. Furthermore, the communication made clear that in order to honour EU's 2 degree target we need drastic cuts in greenhouse gases. However, it does not put forward any proposals for concrete EU or global targets and is misleading when it comes to conclusions about the dimension of the (global) challenge. Saying that the world needs to reduce “at least 15% in emission by 2050 compared with 1990 levels” is a gross understatement. The Commission should show more courage than that!

In order to achieve the EU's ambition of trying to limit global warming to below 2° of 1990 levels by 2050, *the world's greenhouse gas emissions need to fall dramatically to between 30% and 50% of 1990 levels by 2050.*³ This is related to a stabilisation of global CO2 emissions to 450 parts per million⁴. The level agreed by the EU is 550 parts per million – which may result in a 75% chance of a temperature rise above 2°C. Delays in action will require a need for additional reduction rates by approximately 1% for each five year delay.⁵

EEB PROPOSALS TO THE SPRING SUMMIT

The EEB expects more than just general intentions and well chosen words on sustainable development and eco-innovation. It hopes that the Spring Council will make a serious attempt to fill the delivery gap.

The good words from Gothenburg and several spring summits have to be turned into concrete action. The lack of action to really start using effective instruments has for long been apparent.

Effective instruments are well known, but demand political courage and political innovation, as some rules of the marketplace will have to change when we take eco-innovation seriously. For too long the dinosaurs of European industries have been sitting on their comfortable seats, benefiting from open or hidden subsidies and lack of internalisation of external costs, whilst many eco-innovative companies have been running along the sidelines until they drop from exhaustion.

There are great words about encouraging innovations, R&D - and these issues are important – but the main bottleneck for a shift to sustainable production and consumption patterns, products and services is lack of market penetration. As the Kok report recommends: a regulatory framework is needed to give eco-innovations a better market position.

³ Only huge emission cuts will curb climate change. NewScientist.com news service. By Jenny Hohan, Exeter. 03 February, 2005.

⁴ Malte Meinshausen, Swiss Federal Institute of Technology in Zurich. . NewScientist.com news service. By Jenny Hohan, Exeter. 03 February, 2005.

Malte Meinshausen, Swiss Federal Institute of Technology in Zurich. International symposium on the stabilisation of greenhouse gases. Hadley Centre, Met Office, Exeter, UK; 1-3 February 2005. (p. 14)

The EEB therefore urgently calls upon the Spring Summit to reconfirm that the Lisbon process is a part of EU's Sustainable Development Strategy, and that this also has repercussions for short-term, immediate policy choices; the environmental dimension cannot wait, and environmental requirements will contribute to a dynamic, efficient, future oriented economy with a strong export potential, offering a high quality of life to citizens. The dramatic outlook for climate change makes this even more urgent.

To foster real progress, the Spring Council should agree to concrete commitments and timetables for the introduction of measures to back up general intentions:

1. Adoption, in 2005, of a strategy for the short-term introduction of a coherent set of market based instruments for environmental policies, which should propose concrete measures - including a regulatory framework - to implement the agreed objective of prices, giving the right market signals for eco-efficient products and services. Concrete proposals for the internalisation of external costs in fields of energy, transport and agriculture should be included. The European Commission already announced a Communication to this effect in 2004. The Council should not accept further delay.
2. A commitment to launch - again in 2005 - major green public procurement campaigns in each country, based on action plans that commit public authorities to apply green public procurement in all fields. EEB recommends that Governments introduce mandatory green purchasing requirements, at least for selected priority issues like energy saving equipment.
3. Adoption at the 2006 Spring Council of a concrete action programme to reform *“subsidies that have considerable negative effects on the environment and that are incompatible with sustainable development”*. The 2003 Spring Council asked Ecofin to prepare for such a programme, but so far Ecofin has refused to act. The Council should already set 2010 as the deadline for the full implementation of such an action programme.
4. The start in 2005 of an initiative to promote environmental tax reform throughout the EU;
5. The adoption of suggestions made in the evaluation of the Environmental Technology Action Plan (ETAP) and a demand for the 2006 spring council for an action plan to be prepared on performance targets for products and services for boosting eco-innovation and dramatically increasing energy-efficiency of the EU economy.
6. A call to the Commission that the thematic strategy on sustainable use and management of resources that is to be published in June 2005, be built upon ambitious objectives, concrete targets, timetables and actions for resource efficiency and sustainable use of resources.
7. Agreement to develop in all member states policies for public investments in sustainable housing and transport, along the lines of the proposals of EEB, ETUC and the Social Platform, and to exchange experiences around the Spring Council in 2006.
8. Commitment of all individual Member States to introduce facilities for green risk capital by the end of 2006.

9. The start in 2005 at EU level and in all member states of an active dialogue with all stakeholders, and especially with front runners, on partnerships for eco-innovation which serves environmental, social and economic needs.

In addition to these specific measures, we ask the European Council to:

- a. Reconfirm the EU's commitment to sustainable development as the overarching framework for all internal and external policies, with a clear environmental dimension, reconfirm EU's global responsibilities and leadership and welcome the Commissions proposals to better address unsustainable trends, aiming for structural changes in the economy and setting concrete measurable targets and milestones – with action starting immediately.
- b. Confirm that this commitment will play a key role in the further negotiations on the Financial Perspective 2007-2013
- c. Underline that, in particular, the Lisbon process should see EU commitments as regards the Kyoto-Protocol, ambitious post Kyoto climate policies and commitments to decouple transport from economic growth as necessary and positive challenges, which will promote innovation, protect public health, strengthen competitiveness and decrease dependency on fossil fuel imports.
- d. Underline that, in the words of the Commission, economic growth that is neglecting "*resource and environmental challenges*" will undermine its own potential for growth. That this also means that the development and implementation of environmental policies should not be slowed down.
- e. Underline the EU objective to "*halt the decline of biodiversity by the year 2010*", that it should be considered as an investment for the future, and play a role in all relevant decisions with regards to economic activities, in particular as regards infrastructure development such as those proposed in the "quick start" transport projects. Recall the recommendation of the Gothenburg European Council in 2001 to decrease the relative role of road transport and to limit the environmental impact of transport.
- f. Stress the potential benefits of a strong REACH. The Commission has produced a proposal which, under conservative industry pressure, is already making the protection of public health and environment less effective. REACH should be strengthened, not weakened. A workshop under the Dutch Presidency once again concluded "that the cost of the system is greatly outweighed by the benefits".