

*THE 2005 SPRING SUMMIT AND EUROPE'S ENVIRONMENT*

Making the Lisbon process work for sustainable development

Analysis and Proposals by the European Environmental Bureau

February 24, 2005

Including EEB's response to the report of the Kok Group



## **The European Environmental Bureau (EEB)**

The EEB is a federation of more than 140 environmental citizens' organisations based in most EU Member States, as well as in a few neighbouring countries. These organisations range from local and national, to European and international. The aim of the EEB is to protect and improve the environment of Europe and to enable the citizens of Europe to play their part in achieving that goal, by promoting environmental policies and sustainable development at European Union level.

The EEB office in Brussels was established in 1974 to provide a focal point for its Members to monitor and respond to emerging EU environmental policy. It has an information service, runs working groups of EEB Members, produces position papers on topics that are, or should be, on the EU agenda, and it represents the Membership in discussions with the Commission, the European Parliament and the Council of Ministers. It closely co-ordinates EU-oriented activities with its Members at national levels, and also closely follows the continuing EU enlargement process and some pan-European issues.

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## **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.

**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 that the 2006 spring council prepare an action plan 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”.

## **“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 report<sup>1</sup>, 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 2<sup>nd</sup> and 9<sup>th</sup> February, the Commission published a number of documents for discussion at the Spring Summit. These documents send contradictory signals. The proposals for the re-vitalisation 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..

*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).”

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<sup>1</sup> [http://www.eeb.org/press/2004/pr\\_EEB\\_welcomes\\_03\\_11\\_04.htm](http://www.eeb.org/press/2004/pr_EEB_welcomes_03_11_04.htm)

## **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 6<sup>th</sup> EAP are actually implemented<sup>2</sup>. 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

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<sup>2</sup> 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”

the rules of the marketplace to foster sustainable production and consumption. In the SDS 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.*<sup>3</sup> This is related to a stabilisation of global CO2 emissions to 450 parts per million<sup>4</sup>. 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.<sup>5</sup>

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

<sup>4</sup> 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)

**“Future of the Lisbon Process”,  
the contribution of the Kok Group”.**

November 19, 2004

Editor : John Hontelez, Secretary General European Environmental Bureau.

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| <ol style="list-style-type: none"><li>a. Lisbon and the Sustainable Development Strategy</li><li>b. The contribution of the Kok Group</li><li>c. EEB’s call for action to Commission, Council and Parliament</li></ol> |
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**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 to 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 the 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 of its actions 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 for 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. For 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 Social Platform published a Manifesto called *'Investing for a Sustainable Future'*. These three large 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 offer a wealth of information and concrete 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.

## **THE CONTRIBUTION OF THE KOK-GROUP**

The report of the Kok group, published on 3<sup>rd</sup> November, does not question the main objective of the Lisbon process, being that the EU should become the most competitive region in the world by 2010. Using as 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 that have 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, marginalisation and impoverishment of large populations in parts of the world, 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 was feared by some, promote economic progress blindly at the cost of other values. With regards to the social agenda, the EEB wants to rely on the judgements of citizens organisations working on that agenda. With regards to the environment, the Kok group brings a mixed, but on balance, positive message.

The most clear negative element is its 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 until now has been insufficiently 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. In particular, groups who are in a socially 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 SME's, 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.”*

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

**The EEB calls upon the New Commission and Spring Council to take the following action, and the European Parliament to insist, support and monitor this:**

### **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? 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 abolishment of harmful subsidies. There are impressive lists of subsidies that are legible for abolishment. 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 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 the EU level, and at the 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 an increase in other environmental and health problems, which by themselves might limit the future prospects for sustainable development in these countries. As the Kok-group 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 a promising potential need to get the necessary financial and political backing for further explanation and implementation.

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

While it is possible and necessary indeed 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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