



Greening EU economic and social governance: What can we do during the European Semester 2014?



Int. Stakeholder dialogue Growth in Transition – Sustainable economic and social concepts
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Key question: **What kind of economic/ social system(s)** should we strive for as follow-up of the one(s) that caused/allowed the crises?

Currently: Different approaches, mixed signals

- **Bhutan**: "It's the *green* economy, stupid"
 - Measure: Gross National Happiness (GNH) Index
- **EU economic governance**: Growth & jobs; "Smart, sustainable & inclusive economy" (EU2020)
 - Measure: GDP & headline targets
- **7th EAP**: Circular & resource efficient economy
 - Measure: Resource Productivity (?); 'beyond GDP'

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Does it matter which economy we are developing?

Yes! Because

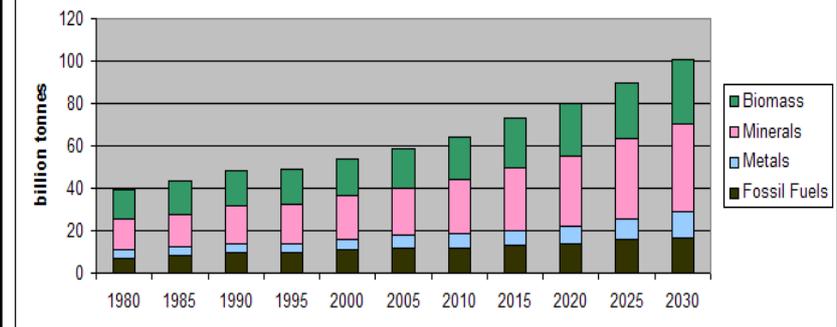
- We have 7 billion people and many are aspiring to and reaching the lifestyle of the West over the next years.
- Over 20th century, global increase of fossil fuel use x12 and material extraction x8
- Demand for food, feed and fibre may increase by 70% by 2050
- 60% of world's major ecosystems that help produce these are already degraded or used unsustainably
- WBCSD: by 2050 need for x4 to x10 increase in resource efficiency; significant changes needed by 2020
- EU consumes 16t of material p.a. of which 6t becomes waste

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Growing Resource Use

Global resource extraction 1980-2030
(projections 2010-2030 based on 'business as usual' scenario)



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Source: EEA 2010 derived from SERI GLOBAL 2000, Friends of the Earth Europe (2009)



We cannot go on as we are

so:

How can we make the green economy work?



Resource Efficiency

- ❖ Natural capital is **valued properly**
- ❖ **External costs** of resource use are taken into account
- ❖ **Waste** becomes a resource
- ❖ Products are designed for **re-use and recycling**
- ❖ Consumers **rent/lease**, rather than own durable products
- ❖ **Long term effects** are given their proper weight

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Natural Capital:
minerals-fuels-biomass

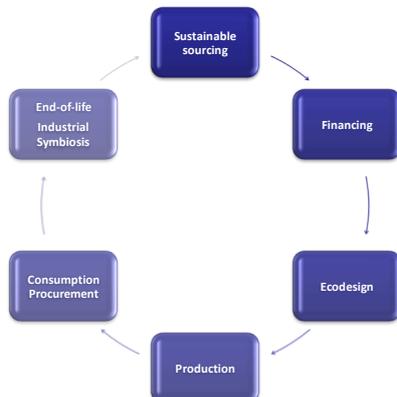


ecosystems–biodiversity
– water – land and soils
– air – marine resources





Circular Economy



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Tensions: the Political Economy of "Green"

- ❖ Diffuse, ill-defined benefits, but precise, focussed costs
- ❖ Long term benefits vs short term costs
- ❖ Global vs local
- ❖ Environment seen as anti-growth?

-> Environmental policy must be seen as part of the solution

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EU cycle of macro-economic governance: "European Semester"



<http://www.consilium.europa.eu/special-reports/european-semester/how-does-the-european-semester-work>

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Positive macroeconomic trade-off: Environment is good for growth and jobs

- ❖ Short term costs will mean long term savings (e.g. air, green infrastructure)
- ❖ No regret policy (e.g. banning landfill will encourage recycling, which will actually save firms money)
- ❖ Environmentally harmful subsidies disturb level playing fields
- ❖ Tax environmental bads (pollution) rather than economic goods (labour)

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Making the environment
part of the solution:

Greening the 2014 European Semester



Environmental Priorities in the Annual Growth Survey 2014 (adopted 15.11.2013)

- **Longer term investment** in education, research, innovation, energy and climate action should be protected and the needs of the most vulnerable in our society should be catered for.
- Tax should be designed to be more growth-friendly, for instance by **shifting the tax burden away from labour on to** tax bases linked to consumption, property, and **combatting pollution**.
- Promoting **resource efficiency** by improving **waste and water management, recycling and energy efficiency**.

Also mentioned in the AGS:

- **Environmentally harmful subsidies;**
- The **job potential** of the **greening of the economy**

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Potential for greening economic governance: examples

I. Pursuing differentiated, growth-friendly fiscal consolidation

Environmental fiscal reform:

- **Shift the tax burden** away from labour to areas less detrimental to job creation and growth – such as the environment; use **environmental taxes** for revenue generation
- **Phase out environmentally harmful subsidies**, for example fossil fuels, company cars, or diesel compared to petrol

*EEA Studies on potential already available for IE, IT, ES and PT; new ENV study (12 MSs) ready in **Febr.2014***

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Potential for greening economic governance: examples

II. Promoting growth and competitiveness for today and tomorrow

- Promote **resource efficiency and a circular economy (7th EAP)**, by setting the **right price signals** through market-based instruments, and better supporting SMEs
- **Recycling and waste management** has positive economic effects (such as tax revenues, job creation, securing scarce resources and materials; this also reduces competitive distortions, etc.)
- **Water management** (incl. water pricing), is e.g. important for economic recovery of export-led sectors, such as modern agriculture and tourism; it is part of energy generation.

New study on MBI, waste, water and SME support recently published. Study on water & economy almost finished. Study on SME support best practices ready begin February 2014

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Potential for greening economic governance: examples

III. Tackling unemployment and the social consequences of the crisis

- **Green job creation**, e.g. jobs linked to the "circular economy" (re-design, re-use, recycle and recovery, new markets for secondary materials). 3.4 million people were employed in eco-industries (2012), a 55 % increase compared to 2000.
- Full implementation of EU **waste** legislation would create around 400,000 jobs. The **water** industry generates value added for the European economy of 29 billion Euros and around 470.000 full time-equivalent jobs.
- In some clean technology sectors, there are **skills gaps** which are preventing growth

e.g. new study on water and economy



Potential for greening economic governance: examples

IV. Modernising public administration

- Improve **administrative capacity** to design more integrated solutions addressing economic, social and environmental challenges.
- **Impact assessments** (economic+social+environmental) of policies which could address these challenges are not well developed.
- Improve the business environment by **streamlining permitting processes**, while complying with the various environmental assessments standards.
- Common methodologies to measure the footprint of products and services would also help setting up a **single market for green products**.



Governance of greening the economy



What? (substance)

How? (governance)



EU economic governance
Semester cycle and accompanying instruments (e.g. 6-Pack, 2-Pack etc.)

Make the environment a necessary & wanted partner in the EU's economic recovery process, by:



1. Presenting convincing data on benefits of environmental policies to structural economic reform & jobs

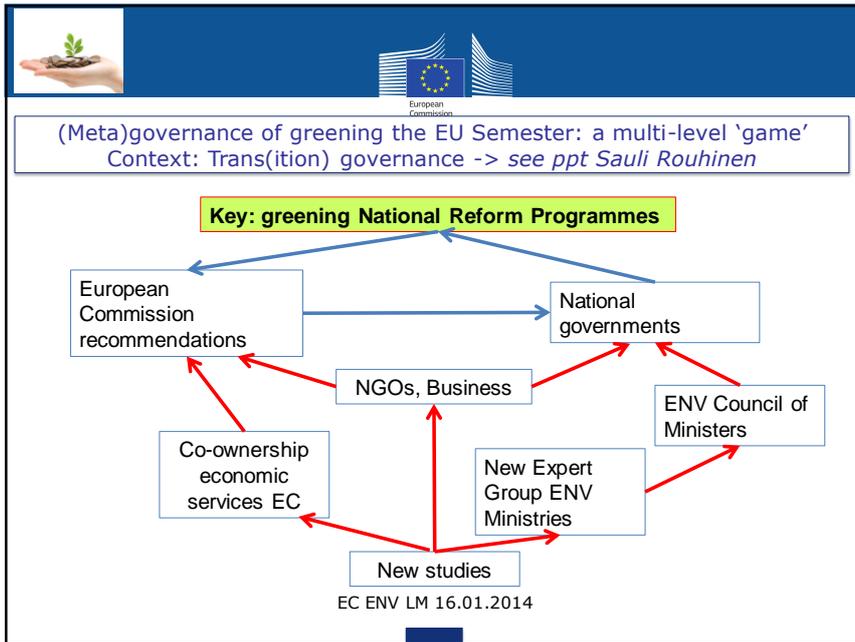


2. Developing win-win agreements/alliances within our organisations and with other actors (Member States, stakeholders)



3. Ensuring policy coherence (e.g. with 7th EAP, SDGs (UN)); also Env. Harmful Subsidies is matter of policy coherence)

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Developing win-win agreements/alliances: potential

Environmental policy	Broader issue	Other policies
Environmental fiscal reform incl. harmful subs.	<i>Fiscal consolidation, jobs</i>	Econ/budget/fiscal/labour
Waste management	<i>Circular economy, resource efficiency</i>	Labour (jobs) / SME-support
Water management	<i>e.g. Floods</i>	Budget/insurances/jobs/econ. & social disruption
Air pollution/health	<i>Urban traffic congestion / Sustainable transport/ Sustainable tourism/ Sust. urban development</i>	Transport/health/energy/logistics business/ loss of work days / regional development / tourism
Resource efficiency	<i>Eco-innovation</i>	Research & innovation / business environment / public procurement
Costs & benefits of environmental policies	<i>More evidence-based & costs-saving decisions</i>	Modernisation public administration: Impact Assessments

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Better policy coherence: examples (1)

7th Environmental Action Programme (20 November 2013)



- Will be a common responsibility of MSs and COM
- Contains references to the Semester:
 - Integrating environment and climate-related considerations into the European *Semester* process;
 - Developing measurement and benchmarking methodologies by 2015 for resource efficiency of land, carbon, water and material use and assessing the appropriateness of the inclusion of a lead indicator and target in the European *Semester*.
 - phasing out environmentally harmful subsidies at Member State and EU level, guided by the Commission, using an action-based approach, inter alia via the European *Semester*.

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Better policy coherence: examples (2)

Cohesion Policy 2014-2020 and the Semester

- Cohesion Policy can help funding the priorities of the EU Semester
- Both instruments are about implementing EU 2020 Strategy for smart, sustainable and inclusive growth
- **Synergy: support environmental MS-priorities in Partnership Agreements/OPs through input in Semester NRPs/CSRs/SWDs**
- Art.21 CPR: Macro-economic conditionality ->
 - Implementation of Semester CSRs may require Commission pressure to change Partnership Agreements or OPs
 - **This is a risk (if wrong CSRs) and an opportunity (if right CSRs)...**

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Better policy coherence: examples (3)



Green & inclusive economy in post-Rio Sustainable Development Goals (SDGs) & in Semester

- SDGs will apply to all UN countries -> including EU28
- Green/inclusive/circular economies is key theme in SDGs
- If EU SDG language in 2014/15 is not supported by Semester / EU2020-revision language, EU risks losing credibility in the SDG negotiations
- Therefore: SDGs can give leverage to greening Semester, and greening the Semester can give leverage to SDGs-negotiations at UN -> win-win

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Thank you for your attention!

- Meeting Expert Group (EU 28 Env Ministries & Commission services): 13.02.2014
- Public launch event 2 new studies: 13.02.2014
- Semester discussion in Environment Council: 03.03.2014

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Website supporting the new Expert Group Greening the European Semester (from next week)



http://ec.europa.eu/environment/integration/green_semester/index_en.htm

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