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’
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

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

Natural Capital:
- Minerals
- Fuels
- Biomass
- Ecosystems
- Biodiversity
- Water
- Land and soils
- Air
- Marine resources

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Circular Economy

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

- Jan: start preparing SWDs
- Apr: National Reform Programmes
- May: proposals for CSRs
- Nov: Annual Growth Survey (AGS)
- June: Country Specific Recommendations & Commission Staff Working Documents

**How can the environment contribute to green growth and jobs?**

- Permanent dialogue with MSs

**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)

[Link to European Semester details](http://www.consilium.europa.eu/special-reports/european-semester/how-does-the-european-semester-work)
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 subsides, 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

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

How? (governance)
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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(Meta)governance of greening the EU Semester: a multi-level ‘game’

Context: Trans(ition) governance -> see ppt Sauli Rouhinen

Key: greening National Reform Programmes

- European Commission recommendations
- National governments
- NGOs, Business
- ENV Council of Ministers
- Co-ownership economic services EC
- New Expert Group ENV Ministries
- New studies

Developing win-win agreements/alliances: potential

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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.

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)…
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

Thank you for your attention!

- 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