

KEY-NOTE SPEECH JOHN HONTELEZ AT GROWTH IN
TRANSITION CONFERENCE IN VIENNA

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I would like to start with congratulating the Lebensministerium with the organization of this conference.

My speech today is linked to the EEB position paper on the EU-2020 Strategy, which you can find on the conference website under “Other Publications”.

We are discussing here an issue that one cannot escape from any longer.

- The globe is facing global warming which risks to cause a real survival threat to mankind on the planet.
- This is both linked and complemented with increasing scarcity of vital resources, ecosystems that are losing their resilience and risk to collapse, increasing droughts and water scarcity in parts of the world, depleting fish stocks and deteriorating tropical forests, depleted soils and raw materials.
- These two problems come together with fast growing middle-class societies in parts of the world where the material consumption per person had been very low until recently. We all welcome this for their sake, but it is a fact that western, unsustainable consumption patterns are overtaking the world in a rapid pace.

So the most essential, and increasingly urgent, challenge is that we move to sustainable lifestyles, everywhere in the world. Whether that leads to growth in classical terms is not interesting. What is interesting is if such lifestyles are social lifestyles: quality of life should also be to a certain extent

“e”quality of life, scarcity leads to a distribution question. It will also lead to a distribution question of (paid and unpaid) labour, still very important in many people's lives.

Sustainable lifestyles can be aimed at by individuals, and often they set the example. But for mass follow up we need facilitation and coordination, as a societal project.

Such a social project cannot be expected to come from the current market-forces. They move in the wrong direction, as they do not take into account general and long term interests. So we need leadership and determination, targeted interventions into the markets, and it requires mobilization of the public against conservative forces.

This brings me to the EU-2020 Strategy [obviously because that is the title of my speech].

As you all know, 10 years ago the EU agreed on the Lisbon Strategy, focussed on growth and competitiveness. It also had social and environmental objectives, but for business and main political leaders Lisbon was a tool for driving privatization, deregulation, mobilizing public funding for private purposes, putting competitiveness proofing as requirement for new legal and other policy initiatives, in particular at the EU level. Resource efficiency was no item. Five years later, new President Barroso tried to narrow the Strategy down to solely growth and competitiveness, leaving the social and environmental agenda for later. The Luxembourg Presidency, under pressure from groups like the EEB, prevented that. And increasingly energy and climate became part of the challenge for the Lisbon Strategy, a

combination of increasing awareness of the risk of energy scarcity coming soon and voices like Nicolas Stern, who convinced Europe's leaders that ignoring the climate challenge could lead to a serious implosion of our economy in the next decades.

The Lisbon Strategy was set for 10 years, initially to beat the US in prosperity. In his Policy Guidelines published in September 2009 to convince the European Parliament to agree his reappointment, President Barroso launched the discussion on a follow up, which he named "EU-2020 Strategy". In his Guidelines, Barroso confirmed that he has understood that environmental issues, in particular climate change, need a more central place in such a strategy.

On the 24th November the Commission launched a consultation, via internet, on how the EU-2020 Strategy should look like. The introductory paper was in line with the Policy Guidelines of President Barroso.

EEB responded in detail to the consultation. It felt that the Consultation paper had some encouraging suggestions, but to a large extent follows the traditional approach. For example, it puts "Sustainable growth" as the key objective. This led to EEB's first key remark: **We need to focus on an ecologically and socially driven prosperous economy that delivers quality of life for everyone while reducing substantially EU's ecological footprint.** Whether this leads to GDP-growth or not, is in EEB's view not essential. Essential is the direction, quality and impact of the actions we undertake.

Positive is that the Commission writes: *“In developing a new vision and direction for EU policy, we need to recognize that conserving energy, natural resources and raw materials, using them more efficiently and increasing productivity will be the key drivers of the future competitiveness of our industry and our economies”*.

EEB commented that this is not only a matter for *“future competitiveness”*. Reducing energy use, natural resources and raw materials are first and foremost essential requirements to ensure a sustainable future for the people in the EU and the world as well as to ensure that economic activities no longer undermine the preconditions for their own persistence in the future. The EEB insists that the “EU 2020” Strategy should follow this approach and set concrete, measurable targets for the increase of eco-efficiency (resource-efficiency) and an absolute decoupling of economic growth from the use of resources and environmental degradation to direct the economic policies. For this the Ecological Footprint is currently a widely used tool to indicate the relation of human activities to the planets carrying capacity. Europe’s current Ecological Footprint is estimated to be 2,5 times above its fair share of the planet. This means that the EU is living on the expense of other regions of the world – mainly the developing countries –, future generations and the regenerative capacity of ecosystems. **The EEB therefore proposes that the overall objective for the “EU 2020” Strategy should be to reduce the EU’s Ecological Footprint by 50% within 20 years.**

When we launched this idea, we got comments from different sides that the Ecological Footprint is a too aggregated indicator, and too much dominated by greenhouse gas emissions. That working from such an objective would

not put sufficient pressure on resource efficiency. My answer is, if one looks at the building blocks of the Ecological Footprints in the EU countries, published in the WWF Living Planet in 2008, one could roughly say that on average in the EU 50% of the footprint is due to greenhouse gases, the other 50% is composed of other impacts. Halving the total footprint by 2030 in my view can only be achieved if you halve BOTH the greenhouse gas emissions from now on (or 60% from 1990 to stay in Kyoto terms) AND the combination of other impacts. The Footprint is an easy to understand warning signal it makes the right point, a good start for more specific targets and measures.

In the introduction for the programme of this conference, I read that you are convinced that for transition we need to take “*specific measures to alter the incentive system and regulation of our national economies*”. I agree with that, as I said, the market as it is currently functioning is driving us in the wrong direction. And as the national economies are tied together in an internal market, much of this change needs to be done, or at least supported, at the EU level.

For the EU-2020 Strategy this means that it has to become a genuine sustainable development strategy. More ambitious than the official SDS of 2006, and especially with stronger implementation tools and processes.

Targets and timetables are an essential element. Derived from the overall halving footprint by 2030 objective, we need to set special targets for Greenhouse gasses: -40% by 2020 (from 1990 levels), -60% by 2030, all domestically achieved. Such targets are also necessary in order to make the

Emission Trading Scheme really work, creating a high price for emission rights and putting pressure behind energy efficiency and savings and demand for renewables for energy production. Two weeks ago in the informal Environmental Council I presented an embarrassing calculation, which shows that the current GHG reduction target for 2020 is set to undermine energy efficiency and renewables efforts. I came to the conclusion that from the end of 2008, the EU does not have to reduce more than 3,9% GHG till 2020, if we stick with the -20% including CDM in case of no global agreement. Given the economic crisis since end 2008, we may have achieved that further reduction target already!! So -40% is not only necessary, also possible.

The EEB is already for a decade promoting an **EU wide environmental tax reform, shifting in a period of 10 years at least 10% of the revenue or tax-base in all Member States away from labour to environmental pressures, resource use and capital.** This is also now one of the explicit demands of the Spring Alliance, a broad coalition of trade unions, social and development organizations with environmental organizations: Proof that Europe's largest civil society organizations, at least its leaderships are convinced that such an environmental tax reform is also good for job creation and can be done in a socially acceptable manner.

Tax reform at EU level is a tabu for several member states, led by the UK. Sweden belongs also to the group that wants tax-policy sovereignty for Member States, but it recognizes that environmental taxes have more to do with environmental policies, and agrees with European coordination. And that is what we asking, coordination, not a uniform system where the taxes

are identical in each country and also the reductions on labour related taxations are identical. That last part is really not needed and is not advisable also because how prevention of negative social impacts of environmental taxation by targeting the use of the revenues has to be done in each country in its own manner.

Such a tax reform should be across the board, in order to prevent complicated systems, struggle for exemptions etc. It can be composed of different taxes though, on energy, on GHG emissions, on carbon footprint in products and services (domestic and imported), on water use, on fertilizer use, etc. The Emission Trading sectors should not be exempted. Especially not as long as emission rights are given out for free and abundance of emission rights on the market push the price down.

"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" was already said by the European Council in Gothenburg in June 2001. Since then, the only follow up given was a heavily compromised Energy Tax Directive, setting minima for energy taxes on certain fuels for certain uses, the minima being so low that it did not lead to real changes in consumption patterns.

The flip-side of tax reform is subsidies reform. For a decade the Commission and Member States agree, in theory, that this should happen. But existing subsidies have created very powerful interests that fight against losing them. So hardly anything has moved. In 2006, the European Council asked the

Commission to come with a roadmap, by 2008 to phase out environmentally hazardous subsidies. Two years on, no roadmap, stuck in the Commission due to fear of defeat.

The adverse effects of old style subsidies should not be underestimated, in particular if you use a broad definition. Obviously it includes supporting farmers without environmental conditions, subsidies on commercial diesel, but also tax-reductions. Do not underestimate tax-reductions! there has been quite some upheaval about the 5 billion Euro the German state spent last year, for once, to support the purchase of new cars. Then look at this: Green Budget Germany and GP Germany calculated that in Germany in 2008 more than 60% of all new cars bought in Germany were labelled „company cars“. And this in particular large, expansive cars, with high emissions. The tax-breaks for such company cars amounted in to 9 billion Euros! Not just once, because of a crisis, but year after year! And this exists not only in Germany. Such a policy directly undermines any efforts to stabilize and reduce emissions from the transport sector. So we need to get a real good sweep of all kinds of environmentally perverse subsidies, accros the EU, as an important part of EU-2020, shifting the balance in favour of eco-innovation by stopping to sponsor the opposite.

A fourth market instrument, besides, emission trade, taxes and subsidies, is public procurement. 16% of purchases on the EU markets is done by public authorities. Buying 100% green would give a major boost to a green economy, in particular if the criteria for what is green are dynamic, moving upwards systematically.

Financial measures alone do not do the job. We need direct interventions in production as well, to accelerate eco-innovation. We need new Sustainable Consumption and Production (SCP) and Sustainable Industrial Policy Action Plans promoting clearly defined criteria, targets and standards for green products, technologies and services and supported by a sound and integrated programme for European Eco-innovation. This needs to be accompanied by resource use reduction and waste prevention targets by 2012. In addition, apply the Top Runner approach (increasing requirements on basis of best performing products on the market). We need a sustainable consumption agenda, whereby lifestyle and behavioural aspects are addressed beyond labelling and product information – efficiency gains in production need to be complemented by reductions in consumption impacts.

- EEB also calls for the new European Energy Efficiency Action Plan to include a binding absolute energy use reduction target of 20% for the coming decade. It should launch a major investment plan for renovation of existing buildings to realize the potential of 30% reduction of energy use in that sector. It should aim for at least 40% of the existing buildings in the EU to be renovated in the next decade, and include sufficient support to the commitment of the European Social Housing Sector to renovate 10 million of its housing stock (=40%) by 2020.

- Substantial reforms of the transportation sector, aiming to develop sustainable and well functioning public transport systems, including in rural areas, which integrate demand management, with intelligent spatial planning and smart logistics for persons as well as for freight. This includes better access by non-motorised means of transport, as well as offering a public network which is a serious alternative – in terms of capacity and quality –

for private air and road transportation, combined with other measures for a strong modal shift from road and air to rail, waterways and public transport.

- Start of a process of refocusing EU structural and cohesion funds to invest in local social infrastructures, and shifting them to sustainable transport, energy savings/renewables, water management, waste re-use/recycling and nature protection, so as to also allow the socially viable and weaker regions to have equal access to a sustainable development.
- Ensure that public financing of research also focuses on environmental and social sustainability, filling knowledge gaps and helping to reduce uncertainty in applications such as nanotechnologies and nano-sciences. Stop public financing of research related to energy production with nuclear fission and fusion.
- Ensure that all payments, investments and (in)direct subsidies with public money are consistent with sustainable development objectives.
- Include in EU-2020 explicitly the objective to contribute to the implementation of a post-2010 Biodiversity Rescue Plan.

With regards to the governance and public acceptance of the Strategy:

- The Strategy must no longer remain the domain of finance ministers and employment departments, but promote genuine stakeholder involvement in each stage of the policy cycle – a new Guideline should be developed which explicitly requires this governance model linked to agreed benchmarks.
- The Better Regulation Agenda should concentrate on better enforcement of existing legislation, modernization of control mechanisms but should not be used to undermine social and environmental objectives but to enhance implementation.

- As the EU-2020 Strategy will not have the power of law, it needs a strong institutional backup. The Lisbon Strategy was translated into guidelines for national Lisbon programmes, and on that basis every year all Member States had to report to the Commission on progress. The Commission analysed, commented and published an overview. It also used the Strategy to launch new laws and re-focus EU's own policies. However, some Member States do not want to be assessed and criticized anymore, so do not like to go with guidelines. On the other hand, Prime-Minister Zapatero of Spain just called for legally binding targets and timetables.

The issues mentioned above are a selection of what the EEB wants to see in the EU-2020 Strategy. Whether this Strategy really gets green, for people and planet, will depend on the coming months. On the 3rd of March, the Commission will launch its draft EU-2020 Strategy. It aims for conclusions in the European Council in June. However, the new (permanent) President Van Rompuy has made it clear that he wants to play a big role in the EU-2020 Strategy, and, has organized an informal, extra, European Council meeting on the 11th of February, to influence the Commission in its preparatory work. Whether this is good news, remains to be seen. Van Rompuy so far has shown more interest in a social agenda for the EU than the environmental agenda.

For the EEB the EU-2020 Strategy is an important debate. It may set the ideological scene for the next decade, and it could impact the environmental mandate for the Commission. With our allies in the Spring Alliance we will

do what we can to influence its outcome. A debate that certainly should not take place at the EU level alone but definitely also at national levels.