# Factor X[I] and the EU:

## How to make Europe the most resource and energy efficient Economy in the World

A Guidebook to Policies and Legislative Initiatives within the European Union

September/October 2006
2nd completely updated and revised edition

Dr. Martin Rocholl
Dr. Stefan Giljum
Kai Schlegelmilch

In cooperation with the Aachen Foundation

[I] Factor X describes the multi-fold increase in resource-efficiency needed to make an economy more sustainable. The term is based on publications of the Wuppertal Institute, called "Factor 10" (Friedrich Schmidt-Bleek) and "Factor 4" (Ernst Ulrich v. Weizsäcker et al.), describing how to produce the same amount of well-being with drastically less input of energy and natural resources.

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# 1. Political Summary: It's Time to hear the Wakeup-Call

## Europe must become the World Champion in Energy and Resource Efficiency!

### 1.1. The Challenge

The Commission's 'Green Paper for a European Strategy for Sustainable, Competitive and Secure Energy'[2] rightly points out the urgency of the problem: The EU's dependency on energy import is rising dramatically. With no major changes made over the next 20 to 30 years, approximately 70% of the EU's energy will have to be imported. That´s 20% more than today. Having nearly doubled over the last 2 years the global oil and gas prices will continue to rise. For the first time in industrial history a growing demand begins to meet a shrinking supply. Similar problems already occurred in the past. And likely will happen in the future: see e.g. some metal ores. Finally, there is little doubt that climate change is already underway with overall potential dramatic economic, social and environmental consequences as well for Europe. These challenges could in part be met by drastically increasing Europe's energy and resource efficiency.

### 1.2. A Winning Strategy

Across the political spectrum there is widespread agreement today that increasing Europe's energy and resource efficiency will be a winning strategy. Overcoming Europe's resource dependency would have many positive effects:

- Increasing resource and energy efficiency will boost innovation and job-creation within the European Union. Indeed, it might be one of the few options to increase the EU's competitiveness in an environmentally sustainable and socially acceptable way.
- With global resource prices continuously rising and the EU spending billions on import of oil, gas and other natural resources any increase in resource efficiency will have direct economic benefits. This would reduce the pressure on private and public budgets.

[2] Published March 2006.

- Global and local environmental problems resulting from the inefficient use of natural resources will be mitigated – climate change being one of the most burning and prominent examples.
- Eco-efficiency will decrease global resource pressures and allow developing countries the use of a fair share of the worlds' resources for their sustainable development – a prerequisite for global justice and equity.
- The global competition for limited resources might become a threat to our security and end up in wars which probably has happened already in some places. This threat can be reduced substantially by an efficiency strategy.

## 1.3. Support from all Sides

The idea to "*make Europe the most energy and resource efficient economy in the world*" is gaining full support from politicians, academia and the European Commission alike. The President of the Commission, Manuel Barroso stated his support[3] (while however still not being active on it). Lately a cross party and cross country initiative of European and national parliamentarians, the "Energy Intelligent Europe", launched the "Energy Efficiency Watch" initiative. This initiative commits itself to a set of activities and actions to promote concrete measures for energy efficiency aiming to monitor closely the actions on national and EU level[4]. In the scientific community there is overwhelming macro-economic evidence that increasing energy and resource efficiency would benefit the economy and the environment alike and help reduce unemployment. The EU's Sustainable Development Strategy makes reference to the idea and even the Lisbon Process recalls that eco-efficiency is an important objective of the European Union.

## 1.4. Europe would miss a Great Chance

Given such widespread support it is surprising and disturbing how little concrete action has been taken so far. A strategy to systematically adjust policies to promote an eco-efficiency revolution in the EU is still missing. Even worse: the current dominance of old fashion economic thinking (concentrating primarily on labour cost reduction and economic growth) could pretty much result in increased pressure on natural resources and eco-systems. The upcoming 'Energy Efficiency Action Plan' and the 'Action Plan on a Common European Energy Policy' (see below) could be a chance to reverse this trend and to finally prioritize energy and resource efficiency. The future will show which actions will follow its final adoption by the Council.

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[3] In a meeting with environmental organisations on March 15, 2005.

[4] http://www.eufores.org/index.php?id=97

With no innovations and initiatives to compete with other countries Europe will not meet the present and coming economic and ecological challenges and will start lagging behind those who already took action, e.g. China which just passed legislation with binding energy efficiency standards for new cars. The benefits provided by economic and ecological market instruments like efficiency will go to other countries if Europe doesn´t revise its policies.

## 1.5. Barriers: Ignorance, Lack of Innovation, Old-fashioned Way of Economic Thinking and Lobby Power

The current ignorance, old fashioned way of economic thinking plus the dominance of non-innovative industrial interests could result in Europe loosing a major chance. It is time for European politicians to wake up and harvest the incredible benefits for Europe's people, economy and ecosystem that will result from drastically increasing Europe's resource and energy efficiency. And leaders from within industry and civil society must support them. There are plenty opportunities to promote energy and resource efficiency in the European Union now (see examples below) so there is no excuse for the current inactivity. Handicaps like e.g. the unanimity rule for environmental taxes should not result in inactivity but in a reform process to overcome such obstacles. So there are chances ahead to be picked.

## 1.6. Taking Concrete Steps

European policies could have enormous influence on the development of the EU. European Directives and Regulations can influence policies and the economy directly, for example by setting binding efficiency standards for products sold in the EU. EU programmes – such as the tens of billions of Euro spent each year by the Structural and Cohesion Funds – can be used to direct the economy to more efficiency. Specific programmes could promote innovation and research. Let´s take these chances! Let´s use them to strategically and drastically increase the efficiency of our resource and energy use!

This publication and the following summary describe key policy areas where we can make a difference and where change can and must happen now[5]. European decision makers must finally set a framework to make eco-innovation and efficiency happen.

[5] This publication is supposed to show that increasing Europe's resource and energy efficiency is not a vision but a feasible option today. Therefore it focuses on already existing and planned initiatives that could be put into practice with no further delay. This however shouldn´t stop anyone from thinking further. Firstly as this list isn´t exhaustive. Secondly, more ambitious legislative and other proposals – like a European wide ecological tax reform - would of course be extremely useful and speed up the necessary process towards making Europe the most energy and resource efficient economy in the world.

## General Overarching Processes

The Lisbon Strategy, the EU Sustainable Development Strategy as well as the Thematic Strategies of the 6th Environmental Action Program must give resource and energy efficiency top priority. In their current form they provide no road map. They lack ambition, targets and time-tables and overall guidance for a policy shift towards eco-efficiency. Even worse: the current dominance of economic thinking could well mean that the chances for increasing resource and energy efficiency are gone.

The renewed Lisbon Strategy explicitly mentions the promotion of eco-innovation expected to "bring substantial improvements to our quality of life as well as to growth and jobs, for example in areas such as sustainable resource use, climate change and energy efficiency". These words must now become practice.

The 'Green Paper for a European Strategy for Sustainable, Competitive and Secure Energy', published in the beginning of 2006, does miss the chance to put energy efficiency into the center of the EU's energy policies. The 'Energy Efficiency Action Plan' (expected in autumn 2006) and the 'Action Plan on a Common European Energy Policy' (to be adopted at the Spring Summit 2007) must urgently correct this mistake.

The 7th research framework programme of the EU lacks emphasis and resources for renewables , energy efficiency and energy savings and is still biased towards nuclear and fusion research. This must urgently be corrected by making Europe the champion in developing efficiency technologies.

## EU Budget and the Two Main Spending Blocks

The EU must use its own budget to drive forward energy and resource efficiency. The tens of billions spent via the Structural and Cohesion Funds every year represent an enormous potential to influence the development path of the European Union – specifically in the new Member States where energy and resource efficiency is still poor. This does however need a major policy shift that gives energy and resource efficiency priority in the planning, implementation and monitoring of programmes and projects.

The decisions on the financial perspective of the EU for 2007-2013 were a step in the wrong direction. The budget for rural development - which includes many options to foster eco-efficiency - has been dramatically decreased while other parts of the budget with little or no positive effects, remained untouched. The review of the EU budget in 2008/2009 must therefore be used to correct these mistakes. This must include a greening of the Common Agricultural Policy, aiming for more environmentally friendly and less input-dependent agriculture.

State aid rules should be much more consistent: while the environmental state aid guidelines restrict support for environmentally friendly technologies and projects, high

subsidies to coal and nuclear are still eligible. Specifically the Commission should not adopt any proposals to prolong coal subsidies running out after 2010.

## Energy Policy

The 'Green Paper on Secure, Competitive and Sustainable Energy for Europe' released in March 2006 by the Commission, must be substantially improved in order to make a positive difference. In its current form the paper fails to make energy efficiency a core element. Embarrassingly the transport sector is largely missing. The paper lacks vision, targets and concrete proposals and misses the chance to propose an integrated strategy centrally focusing on energy and resource efficiency and savings. This must be revised - specifically in the upcoming 'Action Plan on a common European energy policy', which the Council (heads of state) is to adopt at the Spring Summit 2007.

An ecological tax reform - shifting taxes from labor to energy and natural resources - is one of the most effective ways to boost eco-innovation and efficiency while creating jobs and economic benefits at the same time. The European Union must start an ecological tax reform and at the same time reduce environmentally perverse subsidies, specifically for fossil fuels. To effectively reach this aim the unanimity requirement for environmental taxation must be abolished. At least before the accession of any new Member States the energy tax directive needs to be reviewed and strengthened . The open method of coordination and a border tax adjustment are as well promising approaches which should be tested and applied.

## Climate Policy

Efforts to reduce greenhouse gas emissions go hand in hand with energy and resource efficiency enhancements. Opposition to new targets and additional policies is growing despite climate change becoming a serious threat. This could jeopardise the benefits for energy and resource efficiency and also stifle the international negotiations. The EU must remain a progressive force in the climate negotiations and reject the narrow minded attempts of interest groups to weaken its climate policies. It must do so by pushing forward ambitious reduction targets in the second commitment period of the Kyoto Protocol as well as in the next phase of EU's Emission Trading System.

## Energy Efficiency

The upcoming Action Plan on Energy Efficiency (based on the Green Paper on EE) will reflect the ambition of the Commission and the Council to really establish supportive legislation. The Green Paper on EE notes that 20% of the EU's current energy use could be saved by 2020 saving € 60 billion per year and creating up to one million new jobs.

These considerations must be followed by binding targets and concrete action. Given the fact that there is widespread consensus that already a 40% reduction is technically feasible today a more ambitious target would be appropriate.

There exists a whole range of directives, policies and processes currently under discussion or in the state of implementation in the European Union which can contribute to improving Europe's energy efficiency. Among them the directives on 'Energy End-Use Efficiency and Energy Services', 'Energy Consumption Labelling for household appliances' as well as directives on Cogeneration and Buildings. In all cases the directives could be much more effective - by improving the implementation and making the targets more ambitious.

There is an enormous energy saving potential in buildings all over Europe. Realising only the cost-effective energy-saving potential in buildings would already save 10% of total energy use in Europe. This potential has however not been exploited so far. Many Members States have not fully implemented the Buildings Directive. NGOs and industry associations have therefore demanded fast and ambitious implementation across the EU. Additionally an ambitious revision of the directive including old buildings is needed. A net economic gain for the economy of at least 10 billion € per year could be achieved if the 'Energy End-Use Efficiency and Energy Services Directive' would be adequately improved and implemented.

Labelling has been an effective way to increase the market share of energy efficient household appliances, such as refrigerators. The current directives on energy efficiency labelling should be reviewed, improved and extended to further products with special attention to the top runner approach.

Cogeneration is a technology with a very high potential for increasing energy efficiency. The Cogeneration Directive should therefore be rigorously implemented and existing obstacles for the introduction of cogeneration should be removed through new European or national initiatives.

## Renewable Energy

EU leaders must adopt ambitious and legally binding targets for renewable energy use in electricity, heating/cooling and potentially transport to exploit the potential for renewable energy. The upcoming directive on renewable energy for heating and cooling, for example, gives a chance to introduce such ambitious legislation.

With a growing share of renewable energy technologies the structure of the European energy market has to be adapted to suit an efficient renewable energy system. The system of interconnecting numerous small-scale generation units to their distribution networks

has to be further developed and the infrastructure must be set up for district heating systems and the transmission of power from offshore wind farms.

## Transport

The unsustainable growth rates of the transport sector make it a major target for resource efficiency. European-wide measures - so far almost completely lacking – are needed to reverse the negative trend.

Especially since the voluntary targets are going to be missed by industry the setting of binding standards for the fuel-efficiency of cars has become crucial. The European Commission already announced considering legislation on this issue. Thus we need to pay attention on what will actually follow. Doubling the fuel efficiency of cars within a decade is very well possible by implementing ambitious legislation, even serving the economy. Manufacturing and selling the most fuel-efficient cars in Europe will contribute massively to the competitiveness of Europe´s car industry on global markets. And even at the same time $CO_2$ emissions and fuel costs will go down.

There are many more potential measures that could help reducing the constantly growing energy demand of the transport sector: Infrastructure Development in the EU must give priority to the most energy and resource efficient forms of transport, such as rail and public transport in cities. The unfair tax-exemptions for the aviation sector must find an end , for example by means of a kerosene tax and/or a ticket tax. Finally, emissions from shipping should be tackled.

## Other Policy Areas

The list of policy instruments, directives and regulations promoting energy and resource efficiency is long. So there is absolutely no excuse for the inactivity of European policy makers and stakeholders. The eco-efficiency revolution can start any moment and decisions for or against it are taken every day.

Examples for further possible action:

1. The EU and its Member States must use the purchasing power of the state to drive forward resource-efficient products. Where necessary relevant framework legislation for public procurement must be installed.
2. The EU needs an ambitious Environmental Technology Action Plan and take a long view.
3. Lending of the European Investment Bank and the European Bank for Reconstruction and Development must be geared away from fossil fuel and towards resource efficiency.

4. The Integrated Product Policy (IPP) must be followed up with more concrete actions and instruments aiming for much more eco-efficient products. Equally, the Eco-Design Directive (Directive for Setting Eco-Design Requirements for Energy-Using Products) must be improved, establishing strict and dynamic (top-runner approach) minimum standards and ending the use of standby-circuits where they do not fullfil a necessary function.

## 1.7. Time to wake up!

Technologies are available, simultaneous benefits for the economy and the ecosystem are possible and the policy instruments do already exist or could easily be developed.

The costs of inaction are higher than of action.

Europe has no time to loose.
Let´s go for the multilevel benefits of resource and energy efficiency –
for the sake of all of us.

## Actions are more powerful than words!

# 2. Introduction

There is almost full consensus across the political spectrum that increasing the EU's resource and energy efficiency would benefit the European Union in many ways.
This would:

- push forward innovation
- increase competitiveness
- minimize the ecological footprint
- support maintaining the eco-systems services
- create jobs
- help national securities
- improve global equity
- and save money now spent on expensive imports of resources and energy.

To find supporters for this strategy is relatively easy. Yet, when it comes to actually put in place the appropriate economic and political framework the promoters are often left alone.

This compilation of relevant EU policy processes and initiatives shall serve as a guide to what could/should/must be done to achieve an additional goal for the Lisbon Strategy: Making Europe the most resource and energy efficient - and thus most competitive - region in the world.

This guide does not aim at comprising an exhaustive list of all initiatives but at reflecting the many chances to promote energy and resource efficiency in the EU. We concentrated on ongoing initiatives not on further options and chances though these would have the potential to actually start the European eco-efficiency revolution. The authors hope this overview might be useful for an increasing number of environmental and non-environmental NGOs, for politicians, government officials and representatives from industry who realized the enormous potential for Europe´s future coming from eco-efficiency.

We would like to thank all the representatives of environmental organisations in Brussels who helped to revise the first version and contributed substantially to this second one.The authors are thankful to the Aachen Foundation for supporting the study and helping to moderate the process towards its realisation.

Martin Rocholl martin.rocholl@foeeurope.org
Stefan Giljum stefan.giljum@seri.at
Kai Schlegelmilch foes@foes.de

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# 3. General, Overarching Processes

## 3.1. Lisbon Strategy

Presidency Conclusions, Lisbon European Council, March 2000
Midterm review "Working together for Growth and Jobs", EU Commission, 2005

### Description

At the 2000 European Council Meeting in Lisbon, Portugal, the EU set itself "a new strategic goal for the next decade: to become 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". This framework for action until 2010 is known as the Lisbon Strategy (also Lisbon Agenda or Lisbon Process), which was complemented by an environmental dimension through the European Council in 2001 in Gothenburg (see also chapter on the Sustainable Development Strategy).

Achieving the "Lisbon" goals would require:

- preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;
- modernising the European social model, investing in people and combating social exclusion;
- sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix.

A set of policy measures has been decided upon, which was deemed to enable the EU to regain the conditions of full employment, and to strengthen regional cohesion against a sound macro-economic background, with an expected growth rate of around 3% for the coming years.

Key policy instruments to realise the stated goals include a shift towards a digital and dynamic knowledge-based economy, the establishment of a European Area of Research and Innovation, better coordination of macro-economic policies and the creation of a friendly regulatory environment for starting up and developing innovative businesses.

Since 2000, more specific objectives have been set, including ones with an environmental/energy dimension. For example, the European Council of 23rd/24th March 2006 in Brussels has endorsed the following lines for action:

- strong promotion and diffusion of eco-innovations and environmental technologies, inter alia through the Environmental Technology Action Plan (see also separate chapter on ETAP) and considering setting performance targets;
- following up the Montreal Climate Action Plan under the UN Framework Convention on Climate Change, preparation of options for a post-2012 arrangement, consistent with meeting the 2°C objective without delay through constructive engagement in a broad dialogue on long-term cooperative action and at the same time through a process under the Kyoto Protocol;
- exploration of specific actions to bring about more sustainable consumption and production (SCP) patterns at EU and global level, including the development of an EU SCP Action plan, and fostering green public procurement, inter alia by promoting environmental criteria and performance targets, by examining the proposal for a Directive on the promotion of clean road transport vehicles as soon as possible and by making progress with the realization of an ambitious European source-based policy;
- further exploration of appropriate incentives and disincentives, and a reform of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development, with a view of gradually eliminating them.

## Structural Indicators

Achievement of the Lisbon goals is monitored by the so called "Structural Indicators", a set of 125 economic, social and environmental indicators, of which 14 are used as headline indicators[6] for the Spring Council reports. Within this shortlist, only 3 concern the environmental dimension: greenhouse gas emissions, energy intensity of the economy and transport volume relative to GDP. Only the first indicator can be understood as a real indicator of environmental pressure, while the other two only express environmental performance relative to economic development.

However, the Lisbon Strategy (as well as the Sustainable Development Strategy, see next chapter) recognizes that using resources more efficiently is crucial for the economic development of the EU, for the European environment, and for a positive role of the EU in the world.

Scientists and NGO-representatives have therefore asked for including an additional headline indicator for European resource use in the Structural Indicator Set: Total Material Consumption (TMC). This indicator is already adopted as a headline indicator in

[6] See separate paper on resource use indicators at www.seri.at/FX-EU.

the EU Sustainable Development Strategy and thus also a good candidate for a resource use indicator for the Lisbon Process. Total Material Consumption illustrates the total use of natural resources by different countries, giving politicians a clear indicator, if Europe is overcoming its resource addiction and moving towards a truly resource efficient economy.

## Timetable

In 2005, the Lisbon Strategy was reviewed by the Commission. This mid-term review in 2005 sets out how Europe can be supported to meet its growth and jobs challenge and launched the idea of a partnership for stronger, lasting growth and the creation of more and better jobs, supported by a Union action programme and national action programmes containing firm commitments. The revision has also confirmed the environmental dimension of the Lisbon Strategy.

A key component of the roadmap of the new Lisbon strategy for 2005/2006 has been the preparation of "**National Reform Programmes for Growth and Jobs 2005-2008**" by the Member States. The Commission analysed the national reform programmes and produced the first annual progress report by the end of January 2006. On the basis of the Commission's assessment, the 2006 Spring European Council has reviewed progress and gave policy orientation on the adjustments to the integrated guidelines proposed by the Commission. The European Council also supported the environmental dimension. By mid October 2006, the implementation reports are scheduled for adoption by the Member States.

## Stakeholder Views

European industry and employers' federation **UNICE** support the Lisbon goals, but point out that the EU's failure to make progress towards the Lisbon goals is mainly due to insufficient economic reform in Member States. In particular, industry believes that excessive costs and regulation stand in the way of getting Europe's competitiveness back on track.

The **European Trade Union Confederation (ETUC)** supports a discussion on growth and employment-friendly reforms provided that reforms benefit workers, respect social dialogue and unlock the social dimension of Europe. However, trade unions reject the one-sided use of the Lisbon strategy to legitimise "neo-liberal policy approaches", saying that "the Lisbon Strategy must be implemented in a manner that is economically, socially and ecologically balanced."

The **Green/EFA** group in the European Parliament and **environmental groups** point out the need of harmonisation and integration of the Lisbon Strategy with the EU Sustainable

Development Strategy (SDS), in particular the strengthening of the environmental (and social) pillar in the Lisbon strategy (see chapter on the SDS). They call upon Member States and the Commission to recognise that economic growth, social cohesion, and environmental protection must go hand in hand. The 'temporary abandonment' of the environment and social pillars would undermine European growth potentials and would impede achieving the economic goals of Lisbon in a sustainable way.

## Potential and what should be done

While many stakeholders have doubts whether the Lisbon Strategy is delivering directly innovative policies and results, it does play a key role in the debate about the future path of the European Union. Currently, it is dominated by the economic and social considerations and there is a danger that environmental as well as eco-efficiency considerations are marginalized. Turning this trend around will be an important prerequisite for increasing the EU's energy and resource efficiency.

As a result of intense lobbying of environmental organisations, the promotion of eco-innovation is explicitly mentioned in the renewed Lisbon Strategy, expected to "bring substantial improvements to our quality of life as well as to growth and jobs, for example in areas such as sustainable resource use, climate change and energy efficiency". These words have however still to be followed up with concrete policy measures and it will need intense pressure from NGOs to make this happen.

In a similar way, the shift towards a knowledge-based economy could lead to significant reductions of the EU's impacts on the environment by substituting resource-intensive economic activities with knowledge-intensive ones. However, with economic growth at the centre of the revised strategy, an overall increase of environmental burden cannot be ruled out, resulting from total increases in output compensating for improved resource and energy efficiency (the so called rebound effect).

The Lisbon Strategy proposes to enhance research and innovation considerably. This could have considerable effects on energy and resource efficiency within the EU, if the right kind of research is funded. The 7$^{th}$ Research Framework Programme, which has just been approved, does however not take up this chance (see extra chapter on the Research Framework Programme).

In an effort to complement the Lisbon Strategy with an increasing focus on energy and resource efficiency, European environmental NGOs have proposed to add the goal of 'making the EU the most energy and resource efficient region in the world'. In a meeting in March 2005, the President of the European Commission, Barroso, supported this proposal, but so far this had no practical consequences. Concrete steps are needed to make this vision come true. In practice, little is done so far to promote energy and

resource efficiency and the dominance of the competitiveness agenda is often even undermining this aim.

The German Presidency has already announced that for the 2007 Spring Council (under German Presidency) it will support in particular proposals which aim at the joint achievement of higher resource and energy efficiency (decoupling growth and the use of natural resources and energy) and growth and jobs. This could be an important chance to promote energy and resource efficiency in the European Union, especially if NGOs could further strengthen their alliances with the trade unions (such as ETUC) and renewables and energy-efficiency associations like EREF and EuroAce.

The upcoming Spring Summit in Germany in 2007 could also be used to demand the inclusion of a comprehensive indicator on resource use in the Structural Indicator set.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail | Webpage | Additional Information |
|---|---|---|---|---|
| European Environmental Bureau | John Hontelez | info@eeb.org | www.eeb.org | EEB Conference March 6, 2006: 'Does the Lisbon process produce Sustainable Development?' For results see: www.eeb.org |
| The platform of European social NGOs | www.socialplatform.org | | | Developing and strengthening a civil dialogue between European NGOs and the institutions of the European Union |
| Green-10 | For contacts see: http://www.foeeurope.org/links/green10.htm | | | The Green-10 are a loose cooperation of the 10 environmental networks represented in Brussels |

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Commission Staff Working Paper, Working together for Growth and Jobs – Next steps in implementing the revised Lisbon strategy (2005):
http://ec.europa.eu/growthandjobs/pdf/SEC2005_622_en.pdf

Presidency Conclusion of the European Council (2006):
http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/89013.pdf

Letter of the environmental organisations to President Barroso (Making Europe the most resource and energy efficient economy in the world):
http://www.foeeurope.org/publications/2005/Green9_Barroso_thank_you_letter_April2005.pdf

Open letter from industry associations and NGOs to EU leaders meeting in Brussels for the Spring Council: "Tackling climate change and fulfilling the Lisbon strategy: a 'win-win' opportunity"
http://www.foeeurope.org/climate/download/SpringCouncil_openLetter.pdf

EEB position paper on the Lisbon Process, March 1, 2006
http://www.eeb.org/activities/sustainable_development/EEB-Position-on-the-Lisbon-Process-print-version-FINAL-010306.pdf

ETUC (trade unions), Social Platform and EEB urge EU leaders to make the renewed Lisbon Strategy work for truly sustainable development in Europe (for joint declaration:
http://www.eeb.org/activities/sustainable_development/Joint-declaration-EEB-ETUC-SocialPlatform-060306.pdf

## 3.2. European Sustainable Development Strategy (EU SDS)

### Description

When talking about *the* EU SDS, until recently what was referred to is a chapter consisting of 14 paragraphs within the European Council Conclusions of Gothenburg (2001) and a more complete Commission Communication, presented to the Gothenburg summit.

This EU SDS in general demands for a new approach to policy making 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. Sustainable development should thus become the central objective of all sectors and policies. The EU Commission Communication furthermore urged that the process of integration of environmental concerns in sectoral policies, launched by the European Council in Cardiff, must continue and provide an environmental input to the EU SDS (see separate chapter on the Cardiff Process).

Environmental NGOs were very critical of the SDS presented in 2001. In July 2004, environmental organisations published the 'Green-8 review of the EU Sustainable Development Strategy'. This review showed in detail, how little concrete action has followed from what was originally proposed by the Commission. Among other things, the Green-8 pointed out that there was little or no action (or the SDS had little influence) on environmentally harmful subsidies, environmental tax reform, biodiversity decline, public procurement, application of environmental liability and producers responsibility etc. The Green-8 also pointed out that the SDS is missing clear targets, timetables and indicators. In 2006, the Green-10 published "A programme for Sustainable Development for the European Union – proposals from environmental organisations for a realistic and ambitious Sustainable Development Strategy to be adopted by the June 2006 European Summit" (see links below).

In 2005 a review of the EU SDS started. It confirmed that unsustainable trends (e.g. climate change, biodiversity loss, poverty, etc.) are worsening. This led to a proposal for a renewed SDS by the Commission, which has published a Communication on the review of the SDS in December 2005. This proposal was regarded as weak and complicated by the environmental movement, by the European Parliament and also by many Member States. Under the Austrian Presidency a much more simple but yet more ambitious document was produced and finally adopted by the European Council in June 2006 and can now be considered *the* EU SDS.

The new EU SDS accepts a continuing environmental degradation as a starting point for the environmental challenge. It concludes that “the main challenge is to gradually change

our current unsustainable consumption and production patterns and the non-integrated approach to policy-making". The Strategy then focuses on seven specific challenges: climate change, transport development, production and consumption patterns, management and conservation of natural resources and ecosystems, public health, social inclusion, demography and migration, and the global dimension of SD. In all these areas it specifies 'operational objectives and targets' and 'actions', however often with no or little binding character. The SDS also has chapters on financial and economic instruments and on 'communication, mobilising actors and multiplying success'.

## Timetable

The Commission has published a Communication on the review of the SDS in December 2005. The Renewed EU SDS has been adopted by the European Council in June 2006.

## Stakeholder views

While the majority of stakeholders agrees with the overall EU approach to sustainable development there is a clear divide on the correct balance between the social, economic and environmental dimensions of the Strategy. One group of stakeholders – notably environmental NGOs and trade unions – feels that current EU policy focuses too much on the economic dimension of sustainable development to the detriment of social and environmental objectives and the strategy's international dimension. Others however, particularly businesses and business organisations (such as UNICE), hold the opinion that the economic pillar of the Strategy, which they see as a necessary condition for achieving sustainable development, is not sufficiently developed compared to its environmental and social dimensions.

With regard to the issue of a sustainable management of natural resources, environmental organisations point out that current measures are not sufficient to maintain biodiversity and that the objectives on natural resources are not properly translated into sectoral policies. NGOs also emphasise that the issue of sustainable development needs to be more actively debated in a global context, not just a European one. Finally, NGOs point out that the relationship between the SDS and the Lisbon Strategy needs to be clarified, with the SDS being the overarching strategy.

Since the renewed EU Sustainable Development Strategy – as adopted by the European Council in June 2006 - showed some progress in comparison to the Commission communication, the SDS was cautiously welcomed by environmental organisations, such as the European Environmental Bureau. The EEB however points out that it now depends whether the Commission and the Member States take it seriously and suspects that "they need to be reminded, encouraged and eventually assessed by civil society" (see links below).

## Potential and what should be done

The demand for managing natural resources more responsibly is one of the core elements of the EU SDS. The importance of the natural resource issue is also reflected in the indicator selection, with Total Material Requirement being the envisaged headline indicator for the theme of "production and consumption patterns".[7] With its demand to "break the links between economic growth, use of resources and generation of waste", the EU SDS supports one of the core goals for increasing resource productivity of economic activities. However, quantified targets for reduction of resource extraction and use, or negative environmental impacts stemming from resource use are still missing to a large extent (see also the chapter on the thematic strategy on the sustainable use of natural resources). It is worrisome that little or no action has followed so far from the SDS. In particular the 2001 statement "*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*" still needs follow up. Also the proposal of "*Getting prices right*" (*"so that they better reflect the true costs to society of different activities and would provide a better incentive for consumers and producers in everyday decisions about which goods and services to make or buy ")* has hardly been followed up by concrete action.

The new EU SDS (2006) makes important statements in several areas. It does, for example, demand the "decoupling of economic growth and the demand for transport with the aim of reducing environmental impacts", as well as a "*balanced shift towards environmentally-friendly transport modes*". In the chapter on production and consumption patterns, the Council sets the objective to "*achieve by 2010 an EU average level of Green Public Procurement equal to that currently achieved by the best-performing Member States*". The chapter on public health repeats the goal of making European chemicals safe by 2020, and explicitly refers to the substitution principle ("*the aim being to eventually replace substances of very high concern by suitable alternative substances or technologies*"). On subsidies reform, the Council has asked for a "*roadmap for the reform, sector-by-sector, of subsidies that have considerable negative effects on the environment and are incompatible with Sustainable Development, with a view to gradually eliminating them*", by 2008. These are all positive statements, which can be the basis for reforms and legislative action, which could contribute considerably to energy and resource efficiency. It remains however to be seen how much of these demands are put into action and it will need intense public pressure to achieve something. The management of resources chapter, for example, still lacks a clear target and timetable on

[7] See separate paper on resource use indicators at www.seri.at/FX-EU.

resource efficiency. And on the necessary shift of the tax burden from labour to the use of natural resources and pollution, the new SDS makes no progress at all.

In summary, the new EU SDS can be important as a base and back-up for demanding concrete measures for energy and resource efficiency, even though it is still not strong enough on concrete targets, timetables and actions in several areas.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail | Webpage |
|---|---|---|---|
| European Environmental Bureau | John Hontelez, Secretary General | hontelez@eeb.org<br>+32 (2) 2891090 | http://www.eeb.org |
| WWF | http://www.panda.org | | |
| Friends of the Earth Europe | http://www.foeeurope.org | | |
| Green-10 | For contacts see: www.foeeurope.org/links/green10.htm<br>The Green-10 are a loose cooperation of the 10 environmental networks represented in Brussels | | |

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## 3.3. The 6th Community Environment Action Programme (6th EAP) and the Thematic Strategies

Environment 2010: Our future, our choice, Decision 1600/2002/EC, 22 July 2002

### Description

The Sixth Community Environment Action Programme (6th EAP) from 2002 sets out guidelines and objectives for European Environmental Policy until 2012 and defines the core environmental policy input to the EU Sustainable Development Strategy. Unlike its five predecessors, which have been Commission documents, it has been adopted as a decision by both EU legislators, the European Parliament and Council, and thus carries an increased and significant political commitment. It names four key environmental priorities to be met by the Community: climate change, nature and biodiversity, environment and health and quality of life as well as natural resources and wastes.

In an effort to initiate a new, co-ordinated approach to tackling environmental issues, the 6th EAP calls for environmental integration and the broader use of market-based instruments. Further it includes the development of seven so-called Thematic Strategies: Soil Protection; Protection and Conservation of the Marine Environment; Sustainable Use of Pesticides; Air Pollution; Urban Environment; Sustainable Use and Management of Resources; Waste Prevention and Recycling. These strategies concentrate on the complexity and integration of the relevant issues, on the diversity of actors concerned and on the need to find multiple and innovative solutions.

### Timetable

The Seven Thematic Strategies had to be presented by the Commission before July 2005. The deadline was not met and by mid September 2006 the presentation of the Soil Strategy is still pending. The strategies were presented in two stages. In stage 1, the Commission focused on a presentation and analysis of the environmental area concerned and outlines possible actions. In stage 2, the Commission presented objectives, targets and a set of proposals, including legislative ones. After adoption of the Thematic Strategies the proposals are to be discussed and in case of legislative proposals adopted by the European Parliament and Council. A review of the 6th EAP by the Commission is scheduled for end of 2006. Given the current unfavourable political climate and the quite ambitious level of the 6th EAP no substantial changes are foreseeable. It is not yet decided whether this review will be finalised under the Finnish or the German Presidency, but the Finnish Presidency aims at Council Conclusions. This will depend on the timely proposal from the Commission.

## Deliverables

The 6th EAP provides the framework for all environmental policies, but many do have a rather independent and earlier process, such as climate change, biodiversity or air policies. Others are completely new like marine environment or soil protection. In the following the focus will be on the developments initiated / influenced by the 6th EAP or where initiatives are missing.

### *Climate Change*

Progress has been made with most short-term international commitments being met, especially with ratifying and further advocacy for the Kyoto Protocol (2002) and putting in place the GHG Emission Trading Directive (2003) and a new GHG Monitoring Decision (2004), as announced in the 6th EAP. But the EU's internal objectives laid down by the 6th EAP have largely been missed. Especially effective action to curb transport emissions are lacking – inclusion of aviation into emission trading is discussed but no action taken yet. In the field of energy efficiency the Directive on Energy Using Products (2005/32/EC) has been adopted but whether it will deliver expected results depends on the implementation measures to be adopted at EU level for specific product groups.

### *Nature and Biodiversity*

Thematic Strategy for Soil Protection

In response to concerns about the degradation of soils in the EU, the Commission published a Communication entitled "Towards a Thematic Strategy for Soil Protection" in April 2002. The related Strategy has been in the second consultation phase until 26th September 2005. In June 2006, the launch of the strategy had again to be postponed, as no agreement on the core of the strategy, a soil framework directive, could be reached so far.

Thematic Strategy on the Protection and Conservation of the Marine Environment

This strategy aims to achieve good environmental status of the EU's marine waters by 2021 and to protect the resource based upon which marine-related economic and social activities depend. The Marine Strategy constitutes the environmental pillar of the future EU maritime policy. The Strategy was adopted on 24 October 2005 and includes a proposal for a new Framework Directive to be followed by possible further Commission decisions setting out what constitutes a good status.

### *Environment and Health*

The development of a new chemicals policy has been dominating this field and will result in a new EU chemicals safety management system to be in place end of 2006 / beginning 2007. Whether it will achieve the 6th EAP objectives of managing chemicals

safely by 2020 is rather unlikely due to the great flexibilities for industry which has been introduced during the legislative development; but overall it exerts a new pressure on all chemical production and use and thus has the potential to increase efficiency and curb chemical use.

The Clean Air for Europe Programme (CAFE)

The aim of CAFE is to develop a long-term, strategic and integrated policy advice to protect against significant negative effects of air pollution on human health and the environment. The Thematic Strategy on Air Pollution, alongside a revision of the Air Quality Framework Directive from 1996 merging with four other Directives, was adopted by the Commission on 21 September 2005, followed by the start of the implementation phase.

Thematic Strategy on the Sustainable Use of Pesticides

Pesticides have been at the centre of controversy for a long time and are associated with risks to human health and/or to the environment. The Strategy has been adopted on 12th of July, 2006. It includes a revision of the 1994 Pesticide Authorisation Directive and a new legislation on sustainable use of pesticides, restricting aerial crop spraying and encouraging pesticide-free areas. However, it defers quantitative reduction targets and an EU pesticide tax as once considered in the mid 1990ies.

Thematic Strategy on the Urban Environment

This Strategy considers the environmental problems of urban areas, sets objectives for dealing with these problems and identifies the proposals necessary to reach these objectives. The Urban Strategy was adopted by the Commission on 11 January 2006, but does not include or foresee legislative action.

*Natural Resources and Waste*

Thematic Strategy on the Prevention and Recycling of Waste (see also separate chapter below)

The Waste Strategy assesses ways to promote recycling where potential exists for additional environmental benefits and analyses options to achieve recycling objectives in the most cost-effective way possible. The Waste Strategy was adopted on 21 December 2005 and includes a revision of the 1975 Waste Framework Directive.

Thematic Strategy on the Sustainable Use of Natural Resources (see also separate chapter below)

The first Communication towards this strategy was adopted in October 2003. It addressed intra-generational and inter-generational equity of resource use as well as the

consequences associated with environmental impacts that may induce damages going beyond the carrying capacity of the environment. The final Strategy was presented in Brussels on 21 December 2005, but does not include or foresee legislative action.

*Market-based instruments*

The 6th EAP calls for action to promote the internalisation of environmental impacts, i.a. through market-based instruments. Those instruments are seen as most effective to tackle unsustainable resource use resulting from consumption and production patterns. In specific the 6th EAP calls for:

- encouraging reforms of subsidies harmful to the environment;
- promoting and implementing the use of tradable environmental permits where feasible;
- promoting and encouraging the use of fiscal measures such as environmental related taxes; and
- incentives at the appropriate national or community level.

So far, with the noteworthy exception of the GHG Emission Trading Directive, little progress has been made at EU level. The European Commission's promised communication on market-based instruments has been delayed and dropped eventually and instead a Green Paper is to be expected by the end of 2006.

Progress on taxation at EU level is rather difficult due to EU's rules, which grant each country the right to veto a decision on taxes. In this light the adoption of a Directive on passenger car related taxes as proposed by the Commission (COM(2005) 261) is unlikely in the short run.

Nevertheless the EU can provide important framework conditions to allow and promote national actions. This is the case with the Eurovignette Directive from 2006, which allows road user charging to consider environmental costs or the 2004 Environmental Liability Directive.

Further the EU has to play a major role in greening its own spending, like in the Common Agriculture Policy. With the 2003 CAP reform a first step has been made, which increases the environmental standards to be met for receiving CAP funding since 2005.

(For details on several of the above mentioned marked based instruments, see other chapters in this publication.)

*Next steps*

The Commission is currently preparing an official mid-term review of the 6th EAP, which is due to be finalised by the end of 2006. The review should

- evaluate how the 6th EAP has delivered results;
- assess progress and catalogue the measures developed to respond to its objectives;
- assess the ongoing relevance of the 6th EAP in terms of environmental priority areas, actions and levels of implementation; and
- develop priorities, objectives and actions to deal with the most pressing environmental challenges.

## Stakeholder Views

Stakeholder participation processes were carried out in all seven Thematic Strategies.

Economic stakeholders, such as UNICE, claim that the 6th EAP would need to be better embedded into the wider framework of Sustainable Development and that future environmental policy initiatives should also include more systematic economic impact assessment and transparent cost-benefit analysis. Implementation of existing legislation should take precedence over the creation of new regulation. These stakeholders call for less fiscal instruments and a wider use of voluntary approaches and negotiated agreements.

On the other hand, many environmental organisations claim that the 6th EAP and its Thematic Strategies are in many cases lacking quantitative and better-defined qualitative targets and that more ambition would be needed in using essential instruments such as environmental taxation, abolishment of "perverse" subsidies, extended producer responsibility and environmental liability. Furthermore, too little attention would be paid to the integration of the environment in other sectoral policies.

In May 2006, the Institute for European Environmental Policy (IEEP) published a report on the implementation of the 6th EAP, which was commissioned by the European Environment Bureau (EEB). The report states that the EU will likely miss many of the objectives set in the 6th EAP unless implementation is drastically improved during the programme's remaining six years. The report analyses that of 41 key objectives, only six have so far been met, 23 showed some signs of progress and 12 showed no progress whatsoever. The document strongly criticises the use of thematic strategies to deliver the 6th EAP's general objectives, as focus would be put on the process of developing the strategies at the expense of achieving results. The authors see strong evidence of the political downgrading of law from its traditional position as the prime form of Community action for the protection of the environment in the favour of soft (voluntary) instruments. The report argues that EU environmental policy had been in general "politically downgraded" due to the focus on the Union's Lisbon agenda for economic growth and jobs. EEB argues that blame for the lack of progress so far must be shared between the European Commission, the European Parliament and Member States.

## Potential and what should be done

The 6th EAP holds strong potentials for increasing energy and resource efficiency in Europe. The Thematic Strategy on the Sustainable Use of Natural Resources (see separate chapter below) should be the place to set the relevant indicators and targets necessary to guide the relevant sectoral policies. Specifically, this would have been important for implementing successfully a Life Cycle approach as proposed by the Thematic Strategy on the Prevention and Recycling of Waste (see separate chapter below).

Apart from these two, also other strategies can significantly contribute to the reduction of material and energy use. For example: dematerialisation can be regarded as an efficient strategy for more sustainable construction (one of four key areas in the Urban Strategy) with demands for the development of new and more eco-efficient construction materials. And the Marine Environment Strategy could provide the place to set ecological targets supporting a move towards sustainable fishery.

Additionally the 6th EAP calls for using strategic approaches, which are needed to achieve resource and energy efficiency targets: integrating environmental concerns into other policy areas (i.e. Greenhouse Gas (GHG) emissions in the transport sector); and market based instruments (environmental taxation, reform of harmful subsidies). Nevertheless, the missing of resource use, waste prevention/recycling and sectoral emission reduction targets and lack of progress on the implementation of market based instruments to reach these targets is the key obstacle for making real progress towards higher energy and resource productivity. For each target, policy initiatives and clear monitoring schemes, including possible sanctions if targets are not reached, must be developed.

So far either the Commission failed to make adequate proposals and/or the European Parliament and Council resisted those. For the time being it will be difficult to achieve the necessary improvements by Parliament and Council within the relevant Thematic Strategies. Most promising is a combination of multiple pressures at EU and national level.

- Ensure that the European Parliament and Council use the 6th EAP revision and their deliberations on the Thematic Strategy on the Sustainable Use of Natural Resources to propose or request the Commission to develop specific targets and timetables.
- Expose and stop the ongoing EU environmental deregulation. More attention has to be paid to the full enforcement of the environmental objectives laid down in existing law at national level. Member States are far from meeting their obligations. Most countries fail their nature, air and water quality standards and BAT based emission permits for big industrial installations are missing or flawed. The current trend at EU level of revising the existing laws, especially the Air and

Waste Framework Directives, to adapt them to this implementation gap – i.e. introducing exemptions and time derogations or even repealing laws - must be exposed and stopped.

- To improve enforcement, a more integrated (within the environmental sector) and cost-effective approach has to be developed combined with a constructive use of the existing environmental planning requirements – the environmental impact assessments of projects and plans.
- Market based instruments will offer themselves as indispensable to achieve the objectives. For example: cities will fail with local measures alone to achieve air quality standards when transport is growing quicker than its efficiency – and thus the overall background pollution growing. Those trends caused by unsustainable consumption and production patterns are most effectively dealt with making polluters adequately pay for their pollution. Yet, road charging can offer a promising approach for specific problems, also at municipal level.
- Climate change policies have to be strongly embedded in other environmental policy objectives in order to foster environmental win-win and avoid lose-lose strategies. For example a mandatory biofuel target for transport fuels without environmental guarantees but driven by vested industry interest is likely to have a negligible impact on reducing global warming. At the same time it would lead to agricultural and forestry practices, which will dramatically impact biodiversity by reducing the natural water retention capacities of soils and available natural habitats – and both these environmental services are urgently needed to adapt to the unavoidable impacts of climate change.
- Despite the obvious hurdles to introduce EU wide market based instruments there is a window of opportunity. One can observe a trend at national level to increase the use of such instruments, be it for their own purpose or as a by-product of national budget reforms. Based on those trends it should be possible to increase the EU level coordination and steering, using for example the enhanced cooperation or likely more promising the open method of coordination rules, provided by the Treaty. Those rules do not require unanimity and either allow a group of like-minded countries to move ahead (enhanced cooperation) or coordinate activities through policy exchange and mutual learning, based on common objectives, indicators and reporting (open method of coordination). In addition, as the negotiations on the energy tax directive (see separate chapter) have shown, the driver for progress on EU level and the way to achieve unanimity is the adoption of a directive just before the accession of new Member States. This could then be Croatia and Turkey, though only likely after 2010.

**In conclusion:** The revision of the 6th EAP provides an opportunity to expose failed commitments and bring energy and resource use efficiency in the forefront, especially by promoting the setting of targets and deadlines and tackling enforcement deficits for "classical" environmental protection obligations. Therefore the great political awareness for climate change and ongoing dynamic in restructuring national budgets must be utilised in order to foster win-win strategies.

## NGOs working on the subject

| Name of NGO | Webpage | Additional Information |
|---|---|---|
| Green-10 | For contacts see: http://www.foeeurope.org/links/green10.htm | The Green-10 are a loose cooperation of the 10 environmental networks represented in Brussels. Different Green-10 members work on different thematic strategies. For details, see their webpages. |
| EEB | www.eeb.org | |
| Further contacts see specific chapters below. | | |

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## 3.4. Thematic Strategy on the Prevention and Recycling of Waste

European Commission COM(2005) 666 final

### Description

The Thematic Strategy on the Prevention and Recycling of Waste is one of seven Thematic Strategies of the Sixth Community Environment Action Programme (6th EAP) (see chapter on the 6th EAP). It was published on the 21st December 2005, accompanied by one of its implementing measures, a proposal for a revision of the Waste Directive, and an impact assessment.

The Commission argues that the strategy is intended to contribute to the simplification of EU legislation, and to contribute to the resource efficiency of the European economy and reduce the negative environmental impact of waste and thus the use of natural resources.

Components include a renewed emphasis on implementation, simplification and modernisation of existing legislation and the introduction of life cycle thinking to waste policy.

Key changes in the Waste Directive are a flattening of the waste hierarchy, failing to distinguish clearly the priority of material recycling over energy recovery, a redefinition of many incinerators from disposal to recovery, new procedures to define 'end of waste' for recovered waste materials, an obligation on Member States to produce waste prevention plans and a shift from the policy approach involving daughter directives addressing specific waste streams and setting binding recycling targets to a more technical approach (setting standards for `recycled´ materials and processes).

The Commission intends to review the progress made in achieving the Strategy's objectives in 2010, in particular concerning the measures taken towards the `Recycling Society´ to assess whether `further measures are necessary´.

The Council of ministers adopted the strategy on 27 June 2006 and endorsed the European Commission's vision of a "European recycling society". However, the Council defended maintaining the 5 step hierarchy and asked the Commission to provide guidance on how to apply the life-cycle approach to waste policy in concrete terms and demands the elaboration of binding targets on waste prevention and recycling for the final review of the strategy in 2010. The Commission is also asked to propose guidelines and indicators on waste prevention, including "concrete measures" related to product policy, chemicals and eco-design.

The next foreseen steps in the implementation of the Waste Framework Directive are

November 2006: Expected vote in Parliament's plenary on the waste framework directive (1st reading)

End 2006: Possible Council agreement on the waste framework directive under Finnish Presidency (1st reading)

## Stakeholder Views

A large number of stakeholders contributed to consultations during the development of this Thematic Strategy.

The published Thematic Strategy and revision to the Waste Directive have been heavily criticised by environmental NGOs, in particular European Environment Bureau and Friends of the Earth, for example for the following reasons:

- The revised Directive undermines the waste hierarchy, making reuse, recycling and recovery at the same level. The waste hierarchy should return to the well accepted reuse>recycling>recovery priority as supported by the 1997 waste strategy.
- The revised Directive includes no targets for waste prevention or recycling, nor does it propose supporting EU-level co-ordination on waste prevention; it only demands Member States to produce waste prevention plans.
- The Thematic Strategy dismisses further product-based producer responsibility measures, even though these are an effective way of creating green innovation in the design of products, for example the (albeit still emerging) impact that the Waste Electrical and Electronic Equipment Directive is having on product design for recyclability.

(The EEB published a first reaction on the Thematic Strategy in January 2006 – and more concrete proposals on the amending of the Directive in July 2006, see link below.)

More recently a study on the overall implementation of the 6th EAP done for the EEB by IEEP also highlighted the gap between the aims and priority actions established by the 6th EAP and the published Thematic Strategy on Waste (see also separate chapter on 6th EAP).

The European Economic and Social Committee (EESC) issued a statement on the Thematic Strategy in June 2006. The EESC endorses the Commission's desire to modernise, simplify and adapt the laws governing waste. However, it regrets that the provisions with regard to the prevention of waste lack ambition. The EESC draws attention to the fact that a prerequisite for any desire to achieve real sustainable development is the existence of an effective policy of preventing and reclaiming waste, bearing in mind the growing scarcity and increasing cost of raw materials. The EESC

strongly regrets that in the thematic strategy no proposals are made with regard to the introduction of standardised financial instruments throughout the EU.

Also EESC regrets the lack of concrete prevention work and a lack of involvement of regional authorities, which will have to implement the measures of the Waste Directive. Following the position of the Council, EESC wants to keep the waste hierarchy approach and proposes that all technical criteria setting (end-of-waste, recovery/disposal status based on energy efficiency e.g. for incineration) shall be passed to daughter legislations and should be decided by co-decision.

NGOs, such as the Club of Rome raised concerns about the potential lowering of the requirements for managing hazardous wastes (the hazardous waste directive and directive on waste oils have been merged into the new Waste Directive).

## Potential and what should be done

The Thematic Strategy on the Waste Prevention and Recycling has, in theory, a huge potential for ensuring that the EU uses resources efficiently, encouraging design for recycling and maximising prevention – for example by dematerialization and reuse.

However, the final version of the Strategy and the proposed revisions to the Waste Directive are more likely to do the opposite, by failing to establish a strong political signal that solutions should be found urgently for waste prevention and tending towards the promoting of incineration of waste rather than its reuse and recycling.

In order to make real progress towards waste prevention and recycling and resource efficiency, it will be of high importance to establish a clear rejection of these trends in reactions to the Thematic Strategy and insist on a revised Directive that sets a strong policy framework for prevention, reuse and recycling. This includes in particular the following points:

- Establishing a functional environmental objective and a clear waste hierarchy.
- Providing strong EU level leadership to back up national programmes on waste prevention.
- Defining and setting the framework for an EU (Reuse and) Recycling Society.
- A definition of recovery with a strong environmental focus. Maintaining municipal waste incineration as disposal and limiting movements and exports of waste.
- Maintaining the current scope of the waste definition and the waste framework directive.
- Improving the framework for stakeholder participation, enforcement and implementation.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail | Webpage | Additional Information |
|---|---|---|---|---|
| European Environment Bureau | Melissa Shinn | melissa.shinn @eeb.org | www.eeb.org | The EEB is working in collaboration with several other networks and Coalitions– including Bankwatch (a network, scrutinising the use of state funds) and the Recycling Coalition ( a joint platform with some of the sectoral recycling industries). |
| Friends of the Earth England, Wales and Northern Ireland (FoE EWNI) | Michael Warhurst, Senior Campaigner, Reduce Resource Use | michael @foe.co.uk | | FoE EWNI has lately started to work more intensively on the issue. |

## Sources

Homepage of the thematic strategy
http://europa.eu.int/comm/environment/waste/strategy.htm

EEB webpage on waste (including EEB recommendations on the Thematic Strategy from January 2006):
http://www.eeb.org/activities/waste/Index.htm

## 3.5. Thematic Strategy on the Sustainable Use of Natural Resources

European Commission COM(2005) 670 final

### Description

The Thematic Strategy on the Sustainable Use of Natural Resources is also part of the 6th EAP (see chapter on the 6th EAP). In the 6th EAP, the over-use of renewable and non-renewable resources is identified as one of the main European environmental problems. The 6th EAP highlights the importance of better resource efficiency and resource and waste management to bring about more sustainable production and consumption patterns, thereby decoupling the use of resources and the generation of waste from the rate of economic growth and aiming to ensure that the consumption of renewable and non-renewable resources does not exceed the carrying capacity of the environment.

Therefore, the overarching goal of the Resource Strategy is to decouple economic growth from environmental degradation. To achieve this, it intends to develop a framework and measures that allow resources to be used in a sustainable way without further harming the environment, while achieving the objectives of the Lisbon strategy (3 % economic growth).

The Strategy demands for integration of all policy levels (EU, national and international), however, it does not detail any concrete policy instruments and measures, apart from making general reference to the importance of existing policy initiatives, such as IPP (Integrated Product Policy) and ETAP (Environmental Technologies Action Plan). It very generally demands for increasing the knowledge base of European resource use and related negative environmental impacts, for the development of tools and indicators to monitor resource use and resource productivity, to foster the application of strategic approaches and processes both in economic sectors and the Member States and to raise awareness among stakeholders and citizens.

The Strategy emphasises that many of the actions needed to implement the Strategy could be taken best at the national level, as most natural resource policies do not fall under exclusive Community competence. It is therefore up to the Member States to develop concrete programmes to achieve the strategy's objectives, which should focus on those resources with the most significant environmental impacts. Where possible, also targets should be included and processes set up to allow monitoring and evaluation of the implemented policy measures.

An important part of the Strategy with regard to the involvement of NGOs is the intention to set up a "High-Level Forum" by the Commission, which should comprise representatives from industry, academia, consumer organisations and environmental

NGOs. The main objective of the group will be to facilitate the development and implementation of both EU level follow-up as well as these national resource use policy plans.

In cooperation with UNEP, the Commission also suggests to establish an "International Panel on the sustainable use of natural resources", in order to assess and provide information on the global aspects of resource use and related environmental impacts.

## Timetable

From 2000 to 2002, two studies were commissioned by DG Environment giving an overview of the main scientific concepts in the field of natural resource management. In 2002, the Commission started a stakeholder consultation process and held a number of workshops and meetings on various issues related to resource use. The first Communication towards this strategy was adopted in October 2003. It addresses intra-generational and inter-generational equity of resource use as well as the consequences associated with environmental impacts that may induce damages going beyond the carrying capacity of the environment. The final strategy was presented in Brussels on 21st December 2005. The Finnish Presidency wants to draw Council conclusions in 2006. The Commission intends to review the progress made in achieving the strategy's objectives in 2010 and then every five years.

## Stakeholder Views

A large number of stakeholders responded to the call by the Commission to contribute to the elaboration of the thematic strategy.

The Strategy is being heavily criticised by environmental organisations as being not in compliance with the requirements of the 6th EAP, in particular due to the lack of any goals and quantitative targets for resource efficiency improvements or reductions of resource use. The Strategy would severely lack ambition, timetables and specific policy measures; not even a roadmap would be presented, which would clarify how such targets, measures and implementation structures could be defined in the future. To put it with the words of the European Environment Bureau: "Therefore, whilst the activities described in the Strategy are useful, it in fact implies a postponement of a real Strategy for at least five years" (see below for concrete objectives defined by the EEB).

Furthermore, many organisations claim that the global environmental responsibility of Europe is not adequately taken into account, as the need for transformation towards more sustainable production and consumption patterns in Europe is not addressed.

In June 2006, the European Economic and Social Council (EESC) issued a statement on the resource strategy, supporting the goal of improving the productivity and efficiency of

resource use and reducing the environmental impact of resource use. However, EESC criticises that the document does not give thorough consideration to the issue of non-renewable resources and emphasises that clear statements on non-renewable resources, which would go beyond the 25-year planning horizon of the strategy, are also necessary. At the same time, EESC argues that for the preservation of certain natural resources (such as fish stocks) there is no more time to waste and that concrete and immediate action is needed in these areas.

## Potential and what should be done

The Thematic Strategy on the Sustainable Use of Natural Resources potentially is the most relevant Strategy for issues related to increasing energy and resource efficiency. The Strategy states the general aim to reduce the consumption of those resources which are of most concern from the perspective of negative environmental impacts. This should be done by changing demand, by improving the efficiency with which they are used, by preventing the wastage of these resources and by improving the rates at which they are recycled back into the economy after they have been used.

However, given the limited ambition of the final version of the Strategy and the lack of any concrete targets and policy measures, it remains doubtful, whether this potential can be exploited.

Nevertheless, in the Annex to the Strategy, it is admitted that absolute reduction of resource use levels (and not only relative improvements in the resource productivity) will probably be necessary to achieve the Strategy's objectives. Therefore, there exists the possibility that both the Parliament and the Council may translate this demand into quantitative targets.

It remains important to keep up public pressure on this issue and NGOs should make full use of the invitation by the Commission to engage in the different forums and panels (EU-wide and international) and continue to communicate to the EU Commission and the public that this Thematic Strategy will hardly lead to a reduction of resource use and the related negative environmental impacts, if no concrete targets are defined and no implementation plan (including concrete policy measures to change current trends) is elaborated.

Environmental NGOs, in particular the European Environment Bureau, have already put forward concrete proposals on targets and policy actions that should be undertaken by the Commission and Member States (see also link below). The EEB demands to implement the overall target to increase resource productivity by a Factor 4 by 2030 and a Factor 10 by 2050, with yearly targets and monitoring. As operational objectives, the EEB highlights the following key points:

- Anticipating that for several resources Europe will have to aim for absolute reductions in resource use of a Factor 4 by 2030 and a Factor 10 by 2050, as a result of respecting carrying capacity, a more equitable global access to resources and world population growth.
- Prioritising the most damaging resources on the basis of their environmental impacts, taking into account total volumes and impacts per kg, and develop total impact reduction targets and policies for each.
- Reducing the use of productive land per capita to a level in line with global availability of land.
- Improving management and avoiding overexploitation, degradation and destruction of renewable natural resources such as fisheries, biodiversity, forestry, water, air, soil and climate. Agreeing on sustainable management criteria and labels for products from agriculture, forestry, fisheries and natural ecosystems, and relate this to the targets under the next points.
- Achieving 100% green government procurement in EU and Member States by 2010. Ensuring that 12% of goods and food derived from agriculture, forestry, fisheries and natural ecosystems produced and imported in the EU meet sustainability criteria by 2010, and 100% by 2030.
- Improving eco-efficiency in all economic sectors: get more output (service) from each unit of resource used and reduce the total environmental damage (noxious emissions to air, water and soil as well as overexploitation of land and other resources) to negligible levels, by reducing the damage caused by each unit.
- Producers should provide information to consumers on the origin and production methods over the production chain of their products and services, including information on environmental impacts over the life cycle.
- Including direct and indirect climate effects of resource use in EU and national climate policy.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail | Webpage | Further Information |
|---|---|---|---|---|
| European Environment Bureau | John Hontelez | info@eeb.org | www.eeb.org | Some of the EEB members have particular resource efficiency campaigns – of note is the Stichting Natuur Milieu Project on eco-efficiency leaders that sets up resource efficiency targets and success cases with proactive industry partners. See http://www.economylight.nl/ |
| Green-10 | For contacts see: http://www.foeeurope.org/links/green10.htm | | | The Green-10 is a loose cooperation of the 10 environmental networks represented in Brussels. Different Green-10 members work on different thematic strategies. For details, see their web pages. |

## Sources

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http://ec.europa.eu/environment/natres/index.htm

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EEB proposal for a European Strategy on Sustainable Use and Management of Natural Resources (July 2006):
http://www.eeb.org/activities/natural_resources/Index.htm

Reducing resource use: Friends of the Earth Europe's response to the European Commission communication towards a Thematic Strategy on the Sustainable Use of Natural Resources:
http://www.foeeurope.org/publications/2004/reducing_resource_use_feb2004.pdf

## 3.6. 7th Research Framework Programme

### Description

The **7th Framework Programme** (FP7) covers Community activities in the field of research, technological development and demonstration (RTD) for the period 2007-2013. Following the compromise reached by the European Council (December 2005) on the financial perspective 2007-2013, and then with the European Parliament (April 2006), the budget for FP7 was cut down from 67 billion Euro in the original proposal by the EU Commission to around 48 billion Euro. Still, the budget is significantly higher compared to its predecessor. The main objective of the FP7 is well reflected in a communication by the EU Commission, entitled "Building the ERA for knowledge and growth". Knowledge is thus seen as *the* core European resource in the context of global competitiveness and therefore also the key to achievement of the Lisbon goals. In order to be transformed into a competitive, knowledge-based economy, Europe should become better at producing knowledge through research, at diffusing it through education and at applying it through innovation.

FP7 will comprise nine main thematic areas:

- Health;
- Food, Agriculture and Biotechnology;
- Information and Communication Technologies;
- Nanosciences, Nanotechnologies, Materials and new Production Technologies;
- Energy;
- Environment (including Climate Change);
- Transport (including Aeronautics);
- Socio-economic Sciences and the Humanities;
- Security and Space.

Although the key priorities of FP7 have already been defined, the Commission proposal for FP7 explains that the contents of each priority are only broadly defined at this stage so that they can adapt to needs and opportunities as they arise during the lifetime of FP7.

From the viewpoint of promoting of energy and material efficiency, the decision by the Commission of June 2006 to refuse the European Parliament's decision to strengthen the renewable energies budget in FP7 by dedicating two thirds of the non-nuclear energy research budget to renewable energy and energy efficiency, must be regarded as a drawback. Nevertheless, the European Parliament is still negotiating with the Finnish

Presidency in order to ensure that a substantial amount of money will be devoted to R&D in the field of energy efficiency and renewables during the coming seven years.

In any case, this specific budget is minuscule compared to the other energy framework, i.e. the nuclear - Euratom FP. As a matter of comparison, nuclear energy should receive more than € 4 000 million of public money during the period 2007-2013, nearly twice the overall non-nuclear energy budget.

## Timetable

Research Framework Programmes are implemented for a period of several years. The detailed plans for implementing FP7 have been adopted by the European Commission in September 2005.

After Council's approval of the EU's Financial Perspective 2007-2013 (end of April 2006, written procedure) and plenary vote on the budget in the Parliament (mid May 2006), the Commission will come up with a renewed FP7 proposal taking into account the reduced budget until autumn 2006. The Council adopted its common positions on 24 July and will approve it in late September 2006.

The Parliament is set to hold its second reading on FP7 also in autumn 2006. The final vote is expected to take place in November 2006. First calls for proposals for FP7 projects could be published earliest in December 2006, for submission in March 2007, and, after an evaluation period, the first FP7 project could be kicked off at the end of 2007 or early 2008.

## Stakeholder Views

The establishment of a common European Research Area (ERA) and a better coordination between EU and national research policies is welcome by all stakeholder groups.

Economically oriented stakeholders such as the Union of Industrial and Employers' Confederations of Europe (UNICE) point out that scientific and technological excellence, and economic relevance for Europe as a whole, must remain the main criteria for the selection of themes, programmes and projects to improve the competitiveness of European Industry. European academic institutions, such as the European Science Foundation (ESF) regard it of vital importance that the Commission can ensure that projects are selected on the basis of excellence and that procedures are clear and transparent and trusted by the research community. These organisations are critical towards large-scale integrated projects fostered in FP6, as they may disadvantage smaller

research groups, university departments, small and medium-sized enterprises and other groups active in innovative research.

Environmental NGOs as well as the Greens in the European Parliament have especially pointed out the missing emphasis and resources for renewable energies and energy saving and the bias towards nuclear and fusion research (see links below).

## Potential and what should be done

Research policy holds a strong potential for increasing energy and resource efficiency through the development of new green technologies (see also ETAP chapter), of alternative eco-efficient materials (e.g. in industry and construction) and a better understanding of the economic and social driving forces behind unsustainable patterns of natural resource use. Sustainability research applying model simulations at the national, EU and global level can help assessing potential impacts of different (sectoral and macro) economic and environmental policies on material and energy use and productivity and thus help prioritising policy fields of action.

Resource efficiency aspects can be integrated in almost all research priorities of FP7, in particular agriculture, information and communication technologies (ICT), nano-sciences, energy, environment and transport. However, it remains open to what extent increasing resource productivity or reduction of resource and energy use will be important areas of research within the research priorities.

Although the priority research areas have already been adopted by the Commission, there is still room to influence the thematic focal points within each priority. NGOs should lobby for a prominent position of resource productivity issues in calls for research proposals in the above mentioned areas of agriculture, ICTs, nano-sciences, energy and transport. It will be important to demand that more research is needed in order to identify best policy options for achievement of policy goals, as stated e.g. in the EU SDS or the Thematic Strategies and that Europe could only further strengthen its competitive position in environmental technology development, if sufficient resources are devoted to areas such as renewable energies, energy efficiency and sustainable transport systems.

At the next possibility, research priorities in the European Union must be dramatically revised in order to benefit resource and energy efficiency. In particular, nuclear/fusion funding must be ended and be used for further developing alternative energies and energy saving/efficiency technologies.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail | Webpage | Additional Information |
|---|---|---|---|---|
| Greenpeace European Unit | Mark Johnston EU Energy Policy Campaigner | +32 2 274 192 mark.johnston@ diala.greenpeace.org | http://www.greenpeace.eu | |
| Friends of the Earth Europe | Jan Kowalzig Climate and energy campaigner | jan.kowalzig@ foeeurope.org | http://www.foeeurope.org | Works specifically on research on nuclear energy and other forms of energy |
| Green-10 | | | For contacts see: http://www.foeeurope.org/links/green10.htm | The Green-10 are a loose cooperation of the 10 environmental networks represented in Brussels |

## Sources


European Research Homepage
www.cordis.lu

Future European Union Research Policy (Overview, including FP7):
http://ec.europa.eu/research/future/index_en.cfm

EU Commission: Proposals for a Seventh Framework Programme (FP7) for research (2005)
http://ica.cordis.lu/documents/documentlibrary/2461EN.pdf

EU Commission: Building the ERA for knowledge and growth (2005)
http://ica.cordis.lu/documents/documentlibrary/2462EN.pdf

Financial Perspective 2007-2013 :
http://ec.europa.eu/financial_perspective/index_en.htm

"Time to Abandon Nuclear Power's Special Status: The 7th Research Framework Programme Must Increase Funding for Renewable Energy and Energy Efficiency": NGOs open Letter to UK Presidency, Competitiveness-Council of the EU and Councillors for Research of all Member States of the EU (November 2004):
http://www.foeeurope.org/publications/2005/open_letter_nuclear_24_nov_2005.pdf

EU millions on a nuclear expansion programme with fast breeders, on-site reprocessing and so called proliferation resistant reactors (background-paper 2006):
http://www.foeeurope.org/publications/2006/paper_on_FP7_13March2006.pdf

Press release (13.03.2006): Friends of the Earth Europe calls on EU Competitiveness Council to stop nuclear contamination of EU R&D budget:
http://www.foeeurope.org/press/2006/SH_13_March_FP7.htm

Press releases (13.07.2006; 13.06.2006; 15.03.2006) of the Greens in the European Parliament

http://www.greens-efa.org/cms/default/dok/139/139330.energy_research@en.htm

http://www.greens-efa.org/cms/default/dok/134/134404.research_framework_programme@en.htm

http://www.greens-efa.org/cms/default/dok/114/114703.eus_research_programme@en.htm

## 3.7. Cardiff Process of Environmental Integration

Presidency conclusions of the Cardiff Summit, 1998:
*"34. The European Council invites all relevant formations of the Council to establish their own strategies for giving effect to environmental integration and sustainable development within their respective policy areas. They should monitor progress taking account of the Commission's suggested guidelines and identifying indicators."*

### Description

The principle of environmental integration recognises that the environmental improvements needed to attain sustainable development cannot be achieved solely by means of environmental policy. The changes required to reduce environmental pressures of high concern from agriculture, transport, energy and other sectors in order to achieve sustainable development, can only be realised through a process of integration of environmental issues in these sectors. Article 6 of the EC Treaty thus stipulates that "environmental protection requirements must be integrated into the definition and implementation of the Community policies [...] in particular with a view to promoting sustainable development".

In June 1998, the Cardiff European Council laid the foundation for a specific contribution of the Council to environmental policy integration: Coordinated Community action towards integration of environmental concerns into all sectoral EU policies.

The European Council requested different Council formations to prepare strategies and programmes aimed at integrating environmental considerations into their policy areas. The process covered nine sectors: agriculture, transport, energy (since June 1998), industry, development, internal market (since December 1998), economic, financial affairs, general affairs (foreign affairs and trade) and fisheries (since June 1999).

### Timetable

Environmental integration became a priority in the EU's 5$^{th}$ Environmental Action Programme (1993-2002), in response to issues raised at the United Nations Conference on Environment and Development in Rio 1992. In 1997, this requirement received a prominent place in the EC Treaty. In 1998, the European Council then launched what became known as the Cardiff process.

The 2003 Spring European Council noted "the Commission's intention to carry out an annual stocktaking of the Cardiff Process of environmental integration and a regular environmental policy review and to report in time for the outcomes of these exercises to

be taken into account in the preparation of its future Spring reports, starting in 2004" (see also chapter on the Lisbon Strategy).

The revised EU Sustainable Development Strategy, adopted in 2006, puts an emphasis on promoting integration of economic, social and environmental considerations, in order to make them coherent and mutually reinforcing by making full use of instruments for better regulation, such as balanced impact assessment and stakeholder consultations. However, the revised EU SDS does not refer explicitly to environmental integration or the Cardiff Process.

EU policy insiders state that - given the decreasing attention the issue of environmental integration is receiving in the EU – the Cardiff process will likely not be revived, as policy priorities have been shifted, in particular towards the Lisbon process. It is sometimes argued that some environmental aspects of the Cardiff process have been partly integrated into the Lisbon process. This was however not done in a satisfactory way. There is no systematic approach of integrating environmental concerns into all policy areas. Currently, it remains unclear if the Cardiff process will ever surface in the Council again.

## Stakeholder Views

Environmental NGOs have repeatedly insisted that the Cardiff process must be continued and strengthened. They argue that the integration of environmental considerations into all policy areas must be in the centre of modern environmental policy. On the other hand, NGOs have also stressed that environmental policy integration should start at the earliest stage of policy and lawmaking (in the Commission), rather than in a later stage in the Council. Nevertheless, they found it important that also the Council has a systematic responsibility towards environmental policy integration.

## Potential and what should be done

Environmental integration can be regarded as one key strategy for increasing energy and resource efficiency in the EU. As stated in the initial objectives of the Cardiff process, major current environmental problems (among them high resource and energy use) cannot be addressed only through environmental policy, but require policy action in all sectors involved in material/energy extraction, processing and use (life-cycle thinking). If policy makers together with business representatives of key sectors, such as energy, transport and industry, would agree setting up ambitious action plans for exploiting potentials for material and energy savings and take-up of new technologies and energy systems, a big step forward towards achievement of necessary resource efficiency improvements would be realised.

It is generally acknowledged that the Cardiff process has produced some positive results, such as raising the political profile of environmental integration issues and influencing some sectoral reforms, such as the recent reform of the Community's agricultural and fishery policies. The Cardiff process also led to the elaboration of integrated EU transport and environment reporting mechanism (TERM). However, as the EU Commission states in its stocktaking report of 2004, no generally accepted understanding of environmental integration has been developed in the process so far; thus, individual sectoral strategies differ substantially and are in general also missing quantified goals, timetables and indicators to monitor their implementation.

NGOs should not accept that Commission, Council and/or Parliament ignore the obligation laid down in Article 6 of the EC Treaty (environmental integration). They should systematically insist that sectoral and horizontal policies, wherever relevant, explicitly contribute to the realisation of environmental objectives, whether laid down in the 6th EAP or the renewed EU Sustainable Development Strategy.

When engaging in specific policy fields, one should emphasise the key role of policy integration and the importance of having clear targets and timetables along with concrete plans and instruments for implementation, in particular in key sectors such as energy, agriculture, industry and transport. Not at least given the strong political mandate as integration is one of the objectives mentioned in the EU Treaty (both in the current treaty and the proposal for an EU Constitution).

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail | Webpage | Further Information |
|---|---|---|---|---|
| European Environment Bureau | John Hontelez | info@eeb.org | www.eeb.org | |
| Green-10 | | For contacts see: http://www.foeeurope.org/links/green10.htm | | The Green-10 is a loose cooperation of the 10 environmental networks represented in Brussels. |

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# 4. EU Budget and the Two Main Spending Blocks

## 4.1. EU Financial Perspective 2007-2013

### Description

The EU's 'financial perspective' defines the framework for the Community's budget priorities over a period of several years. It describes over different budget headings the maximum amounts (ceilings) of financial commitments (commitment appropriations) for each year. It is not a fixed multi-annual budget per se. The annual budget procedure still determines the actual level of expenditure and the breakdown between the various budget headings.

The discussions over the financial perspective 2007-2013 (which took place in 2004-2006) were dominated by the differences over how much each member state would have to pay and would receive out of the EU budget. In addition, the British government raised questions over the spending on agriculture, while other member states questioned the rebate of the UK (reduction of payments).

Most interesting about the compromise reached is that a full review of the entire EU budget is planned for 2008/2009. Part III of the 'financial perspective' document agreed by heads of state describes the review process as follows: "*Europeans are living through an era of accelerating change and upheaval. The increasing pace of globalisation and rapid technological change continues to offer new opportunities and present new challenges. Against this background, the European Council agrees that the EU should carry out a comprehensive reassessment of the financial framework, covering both revenue and expenditure, to sustain modernisation and to enhance it, on an ongoing basis. The European Council therefore invites the Commission to undertake a full, wide ranging review covering all aspects of EU spending, including the CAP, and of resources, including the UK rebate, to report in 2008/9. On the basis of such a review, the European Council can take decisions on all the subjects covered by the review. The review will also be taken into account in the preparatory work on the following Financial Perspective.*"

### Stakeholder Views

The original proposal for the financial perspective 2007-2013 was initially rejected by the European Parliament. The members of the European Parliament (MEPs) wanted a substantial increase (with 12 billion euro) of the 862 billion Euro budget agreed by the

EU-25. In the end, the Parliament's negotiators managed to get only 2 billion Euros more. The extra spending will mainly be devoted to education and foreign/security policy.

Environmental NGOs wanted improvements in four key areas:

- Adequate funding for Life+, keeping the figure of 9.5 billion which the European Parliament adopted in the first reading.
- No cuts in the rural development budget and further shifts from pillar 1 of the Common Agricultural Policy to pillar 2 (rural development)
- Sufficient funding for Natura 2000
- Assure sufficient funding for the Thematic Programme for the Environment and Natural Resources.

(For details see: Green-10 briefing for MEPs on the financial perspective 2007-2013 on the European Council's agreement of December 2005: http://www.foeeurope.org/publications/publications.htm (see 2006))

NGOs were only partly successful with their demands for improvements (see details in the following chapters.) The drastic cuts in the rural development budget were kept up. NGOs believe that this is bad news for more environmentally friendly and less resource intensive agriculture.

## Potential and what should be done

Since a deal between the European Parliament and the Council has already been reached, there are no more possibilities to influence the financial perspective 2007-2013 at this stage. However, in the coming months (2006), many decisions on programmes, directives etc. which involve EU spending will be taken (e.g. LIFE+, regulations on Structural and Cohesion Funds, research programmes, etc.). These processes still give some chances to take influence for increasing resource and energy efficiency.

The review clause in the decision on the new financial perspective 2007-2013 opens possibilities to reform the two biggest spending blocks of the European Union: the Common Agricultural Policy and the Structural/Cohesion Funds, both of which can have major implications on the EU's energy and resource efficiency. (For details see separate chapters on the 'Common Agricultural Policy of the EU' and the 'Structural and Cohesion Funds of the EU'.) However, the pressure for a reform following the review (in 2008/2009) will be considerably less, because the budget will simply continue until 2013 if no agreement on a reform is reached by unanimity. On the other hand, the debate might be an important starting point for more wide-ranging reforms in 2013.

Besides the two main blocks, the increased spending on research and technological development will be important (see chapter on the 7$^{th}$ Research Framework Programme).

The debate on the financial perspective and the review in 2008/2009 has and will be dominated by political manoeuvres and the question how much each member state has to pay and will receive from the budget. While being very important, it is not easy to bring the issue of resource and energy efficiency into this debate. On the other hand, it would be of highest interest to influence Structural and Cohesion Funds, the Common Agricultural Policy and the spending on research and development in this direction. These policy areas together make up for the vast majority of the EU's spending and can have a major influence on the direction of development of European economies.

As negotiations between Member States on the size of their contributions to the EU budget are getting increasingly difficult, there are considerations to find another income base for the EU. The Commission's own resources report (July 2004) therefore proposes that the Council should reflect on the introduction of a new funding system for the EU by 2014, centred around a main fiscal resource, based on either energy, VAT or corporate income tax. This could be an interesting opportunity to discuss EU-wide energy- and resource-use related taxes as an incentive to increase resource and energy efficiency.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone |
|---|---|---|
| Birdlife Internat | Victoria Bruce; she represents the Green-10 in the debate about the financial perspective. | Victoria.Bruce@rspb.org.uk 0044-7803151132 |
| Friends of the Earth Europe and CEE Bankwatch Network | Martin Konecny | Martin.konecny@foeeurope.org +32-2-5420180 |

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http://ec.europa.eu/financial_perspective/index_en.htm
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Interinstitutional Agreement – publication in the Official Journal:
http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/c_139/c_13920060614en00010017.pdf

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http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/906&format=HTML&aged=0&language=EN&guiLanguage=en

## 4.2. Common Agricultural Policy of the EU

### Description

The last overall reform of the Common Agricultural Policy (CAP) of the EU took place in 2003. Some progress was achieved for the environment by a) decoupling subsidies from production, which could mean less pressure on intensification (and therefore less resource intensity though the impacts are yet to be assessed), b) by tying direct payments to a set of basic environmental conditions (cross-compliance) and c) by modulation, i.e. modest shifts from pillar 1 of the CAP (direct payments) towards Rural Development (second pillar of the CAP), which includes agri-environment measures and other support for low-input agriculture and organic farming.

Currently there is little debate about further CAP reform. Discussions recently concentrated mainly around the general debate on the EU budget (Financial Perspective 2007-2013), especially on where to reduce spending. In earlier agreements, the heads of state decided already on the size of the first pillar of the CAP budget. Therefore, the effort of net payers to reduce the overall EU budget resulted into a severe cut of the Rural Development (pillar 2 of the CAP) in the final agreement. This is worrisome because the Rural Development budget contains the most environmentally friendly part of the CAP subsidies. On the other hand, each country now has the possibility to move up to 20% of the budget from pillar 1 to pillar 2, which opens possibilities for more environmentally friendly agriculture.

### Timetable

The 2003 CAP reform shifted some funds from Pillar 1 to Pillar 2 (Rural Development) of the CAP budget.

In 2002, the heads of state of the EU decided on the budget of pillar 1 of the CAP.

In February 2004, the Commission proposal for the EU budget included EUR 88.8 billion for rural development (pillar 2).

In December 2005, heads of state reached an agreement on the EU's financial perspective, cutting the rural development budget by 22% to EUR 69.25 billion. This cut more than reverses the positive decision from 2003. However, Member States have the right to shift from pillar 1 to pillar 2 (modulation).

In 2008/2009 a complete review of the financial perspective, including the Common Agricultural Policy (CAP) is planned (see chapter "Financial Perspective").

## Stakeholder Views

Environmental organisations and farmers oppose cuts in the Rural Development subsidies. While most farm organisations do oppose any cuts, the environmental organisations mainly want funds to be shifted from the first to the second pillar (rural development) of the CAP.

In the future one can expect the UK to lobby for further cuts in the CAP budget in general, while France will try to keep the current level of subsidies.

## Potential and what should be done

A number of measures in the second pillar of the CAP (Common Agricultural Policy of the EU) support environmentally friendly, low-input agriculture and organic farming. A shift of the subsidies from pillar 1 to pillar 2 could therefore reduce the energy and resource demand (fertilisers, pesticides) of agriculture in Europe and contribute to an increase in energy and resource efficiency. On the other hand, the second pillar also includes measures supporting intensification and concentration of farms. The composition of the second pillar is largely up to the member states.

The fact that the new financial perspective 2007-2013 allows Member States to modulate up to 20% of funds accrued to them under Pillar 1 to Pillar 2 (rural development) opens potential for moving towards low-input agriculture. Currently, influence must therefore be taken mainly on the national level to a) promote modulation (shift from the first pillar to the second pillar of CAP) and b) use of the second pillar measures for the support of low-input agriculture.

The review of the financial perspective in 2008/2009 will re-open the debate on the CAP of the EU – another chance to lobby for a subsidy system which supports low-input and environmentally friendly agriculture.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage | Specific Area NGO is working on |
|---|---|---|---|
| Birdlife Internat. | Vikki Bruce | Victoria.Bruce@rspb.org.uk<br>0044-7803151132 | All issues above |
| IFOAM | Marco Schlueter | Marco.schlueter@ifoam-eu-org<br>+32-495-520871 | Organic agriculture and issues above |
| Eurogroup for Animal Welfare | Véronique Schmit | v.schmit@aurogroupanimalwelfare.org<br>+32-2-7400820 | Animal Welfare and issues above |
| EEB (European Environmental Bureau) | Pieter de Pous | Pieter.depous@eeb.org<br>+32-497-537264 | All issues above |
| Friends of the Earth Europe | Martin Konecny | Martin.konecny@foeeurope.org<br>+32-2-5420180 | Rural development in the new member states |
| WWF | Thomas Nielsen | tnielsen@wwfepo.org<br>+32-2-7400922 | |

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http://ec.europa.eu/budget/documents/multiannual_framework_en.htm

For background information go to one of the following webpages:
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http://www.birdlife.org/action/campaigns/farming_for_life/index.html
http://www.panda.org/about_wwf/where_we_work/europe/what_we_do/policy_and_events/epo/initiatives/agriculture/index.cfm
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## 4.3. Structural and Cohesion Funds of the EU

### Description

Structural and Cohesion Funds are the second biggest spending block of the EU. During the period 2007-2013, 308 billion Euros will be distributed through the funds across the less developed regions of the European Union. The funds take major influence on the type of economic development in these regions and are therefore of utmost importance for sustainable development. Experience ranges from very positive (support of sustainable tourism, waste recycling or alternative energy) to very negative (highways and other mega-projects with highly negative environmental effects).

In 2006, new EU regulations and strategic guidelines have been adopted setting the EU-wide rules and priorities for the use of the funds in the period 2007-2013. One important novelty in the EU regulations is that a high proportion of the SF/CF expenditure (75% or 60% for different areas and funding objectives) should be earmarked for so-called Lisbon measures that increase growth, jobs and competitiveness. The list of the promoted Lisbon measures does include energy efficiency, renewables and public transport (alongside motorways, airports etc.), but does not include measures such as waste recycling and prevention and other environmental expenditure. However, what will actually be financed and what kind of investments will be made is still being decided, mainly on the national level.

Member state governments and regions are currently developing their operational programmes which define concrete investment measures and their financial allocation. This is the most important process concerning the sustainable use of the funds and must be influenced mainly on the national level. However, the European Commission has the final say on the operational programmes. In autumn 2006 and spring 2007, the Commission should be pushed to look at the NSRF (National Strategic Reference Framework) and programmes under sustainability criteria and require modifications if they fail to promote sustainable development.

The review of the EU budget expenditure, which will be carried out in 2008/2009 (see separate chapter) is likely to open the debate on Structural and Cohesion Funds again.

### Timetable

Mid-2006 – mid-2007: Negotiations between Member States and the European Commission on the draft operational programmes for 2007-2013.

In 2008/2009 a review of the EU budget (including SF/CF) will take place.

## Stakeholder Views

Environmental NGOs demand that EU fund investment priorities reflect the EU Sustainable Development Strategy, especially in the areas of transport, energy, waste and nature protection. Payments should be stopped where projects lead to a breach of environmental legislation. Importantly, planning and implementation of EU funded programmes and projects should be opened to more public participation.

Member state governments tend to focus primarily on ensuring they actually absorb all the financial amounts from the EU, while strategic use of the resources is often a secondary concern. Governments also usually have the tendency to reduce the influence of the Commission on the spending of the funds. In some cases, this may have a negative effect, if the Commission is trying to apply sustainability criteria.

The Commission often limits its requirements in ensuring that EU funded programmes and projects are formally in compliance with EU legislation. There is little political push towards focusing EU funds on sustainable forms of development. Recently, instead, the Commission has been strongly pushing for focusing the funds on competitiveness, growth and jobs.

European Parliament's role in regional policy is limited compared to the member state governments, but its positions on the regulations for EU funds have often been supportive of the points raised by NGOs.

## Potential and what should be done

The general potential for increasing the EU's energy and resource efficiency is enormous, with the SF/CF being one of the biggest public investment programmes in Europe.

In the current situation, it is most important to ensure that operational programmes of the member states for the period 2007-2013 contain appropriate support for energy and resource efficiency instead of subsidies for unsustainable approaches such as waste incineration and car-based development.

The draft operational programmes available by August 2006 show major differences between measures and allocations planned in different countries. For example, a comparison of planned allocations for energy efficiency and renewable energy in the new EU member states reveals that Estonia and Poland plan to spend only 0.7% and 0.9% of all their EU funds on EE/RE, as against 4.4% in Lithuania or 3.8% in Slovenia. Poland, by far the biggest of the new member states, does not plan any EU funded measures to support energy efficiency in its industry and housing sectors, i.e. precisely where there is an enormous potential for savings. Estonia, which in turn has the highest energy intensity of all new member states, also plans no measures for energy efficiency in

industry.[8] Such approach does not stand up to the strategic importance of EE/RE investments for the future development of these countries. The member states and the Commission need to be pushed to make changes in the operational programmes and ensure they make a maximum contribution to energy and resource efficiency.

The review of the EU budget expenditure, which will be carried out in 2008/2009 (see separate chapter) is likely to open the debate on Structural and Cohesion Funds again. This would provide an interesting chance for demanding that all spending of the Structural and Cohesion Funds should contribute to increasing energy and resource efficiency.

Currently, it is most important to influence the operational programmes on the national or regional level (German Länder) as well as via the European Commission. The priority demands are the following:

- Funding for the transport sector needs to be focused on public transport
- Funding for the waste management sector needs to be focused on waste prevention, recycling, composting
- Strong support for energy efficiency and renewable energy is needed for the energy sector
- Sufficient support for nature protection and biodiversity must be found

When the financial perspective is reviewed in 2008/2009, NGOs should be ready to demand that Structural and Cohesions Funds are systematically focused on increasing the EU's resource and energy efficiency.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage |
|---|---|---|
| CEE Bankwatch Network and Friends of the Earth Europe | Martin Konecny | martin.konecny@foeeurope.org<br>www.bankwatch.org/project/EU,<br>www.foeeurope.org/billions |
| WWF European Policy Office | Stefanie Lang | slang@wwfepo.org |
| BirdLife International | Victoria Bruce | Victoria.bruce@rspb.org.uk |
| Coalition for the Sustainable Use of EU funds (includes the above-mentioned and other NGOs) | | www.coalition-on-eufunds.org |

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# 5. Energy Policy

## 5.1. Green Paper on a European Strategy for Sustainable, Competitive and Secure Energy

### Description

The European Commission's 2006 Green Paper identifies three objectives for Europe's energy policy: sustainability, competitiveness and security of supply. To meet them, it proposes actions under six thematic headings: internal gas and electricity markets, solidarity between member states, public debate, meeting climate change challenges 'in a manner compatible with Lisbon objectives', technology development and external policy.

The Green Paper recognises the importance of cutting energy waste and tapping into the full potential of renewable energies. Yet, the Commission fails to propose the necessary, legislative steps that would turn such a vision into reality. Instead, the emphasis is placed on securing long term oil and gas energy imports, rather than developing indigenous renewable energy sources, increasing energy efficiency and cutting wastage. Embarrassingly, the transport sector is largely absent in the paper, despite the fact that it consumes around 70 % of oil in the EU.

However, at least the Commission will propose an action plan on energy efficiency. Examples of possible action include:

- Long-term targeted energy efficiency campaigns
- A major effort to improve energy efficiency in the transport sector and in particular to improve rapidly urban public transport in Europe's major cities
- Harnessing financial instruments to catalyze investments by commercial banks in energy-efficiency projects and companies providing energy services.
- Mechanisms to stimulate investment in energy efficiency projects and energy services companies.
- A Europe-wide "white certificates" system, tradable certificates, which would enable companies that exceed energy efficiency minimum standards to "sell" this success to others that have failed to meet these standards.
- To guide consumers and manufacturers, more focus will need to be put on rating and showing the energy performance of the most important energy-using products including appliances, vehicles, and industrial equipment. It may be appropriate to set minimum standards in this area.

Still, overall the paper lacks a coherent vision, targets and concrete proposals. It misses the opportunity to put forward an integrated strategy that increases the competitiveness of the European energy sector while protecting the environment. In fact, the first drafts of the Green Paper, while it was still being discussed within the European Commission, listed 'environmental protection' as a key objective – mid-way through the drafting this was replaced by 'sustainability'.

Specifically, the Commission missed an opportunity to promote real competition in the internal market since it did not question the status quo of giving preferential treatment to polluting and hazardous energy sources. Coal and nuclear power have received billions in subsidies and state aid in recent decades. This practice has to be stopped in a liberalised energy market.

The paper also fails to fully acknowledge the risks associated with nuclear power or with carbon capture and storage. Nuclear energy is only mentioned in passing, along with a suggested debate on its future role. A surprising proposal, given the fact that the Commission has tested public opinion on this matter: most Europeans believe that governments should develop solar and wind power, while just 12% support nuclear energy (Eurobarometer survey, January 2006). On the other hand, carbon capture and storage is given centre-stage in the paper and listed along with renewable energy and efficiency as the three options for tackling climate change, despite unresolved risks and uncertainties surrounding this technology.

Similarly, the Green Paper omits to mention the most recent progress made within the EU in defining its next climate commitments. At the 2005 Spring Summit, European Union leaders endorsed the objective of limiting mean global warming to below 2 degrees Celsius over pre-industrial levels and stated that meeting this objective would require deep greenhouse gas emission cuts by developed countries – as much as 15-30% by 2020, and referring to the Environment Councils' conclusions in spring 2005 considering 60-80% emission cuts necessary by 2050. Given that such emission reductions would have significant energy policy implications, they have to be mentioned in a paper discussing the future of this sector in Europe. Yet, the Green Paper utterly ignores the 2005 Summit conclusions.

While the paper was still being drafted within the European Commission, the emphasis on climate change, energy efficiency and renewable sources increased as the date of adoption approached. Probably the most noticeable change is in the title of the final paper: the three objectives were ultimately re-ranked - their initial order had been 'secure, competitive and sustainable'.

This points to a growing awareness of the importance of energy efficiency and renewable energy sources as central factors to guarantee a modern, less wasteful and competitive

European energy sector. However, the Commission stopped short from proposing the changes required to put cleaner supply and demand in the heart of future energy policy. The window dressing of the Green Paper was ultimately improved, but not much else.

A draft version of the energy efficiency action plan dated 19 June to be unveiled by the Commission possibly on 26 September spreads action over six years (2007-2012) and consists of four pillars:

- Behavioural change with awareness campaigns targeted at consumers and the larger public;
- legal instruments to ensure existing EU laws are used to their "full potential" with a possible revision of targets;
- financial instruments including tax incentives and using sources of financing such as the EU's regional funds, and;
- global aspects including trade and development policy, international agreements and treaties to disseminate and export cleaner technologies.

Two sectors are covered in a more particular way, although little detail was yet available:

- Transport:
  The Commission will impose European carmakers to reduce $CO_2$ emissions if it becomes clear that the voluntary target of 140g $CO_2$/km is not met by 2008. A new framework directive on energy efficiency in transport; incentives for hybrid and fuel cell cars; differentiated excise tax rates according to fuel efficiency; car sharing schemes; road pricing / congestion taxes; speed control limiters; progressive insurance premium; modal shift in urban areas; traffic optimisation using the Galileo satellite positioning system; state aid for eco-design by manufacturers, and; the promotion of Flex Fuel cars that can run on a higher mix of biofuels.
- Energy transformation sector:
  A study is foreseen to explore the feasibility of minimum efficiency standards for new power stations. Improving efficiency standards in coal-fired power plants is also a possibility being explored.

## Timetable

On 8 March 2006, the European Commission released the *Green Paper on Secure, Competitive and Sustainable Energy for Europe*. On 10 March 2006 the EU Environmental Council and then on 14 March 2006, a special EU Energy Council discussed the paper. Their conclusions have fed into the discussion at the EU Spring Summit 23-24 March 2006 (see link to the Presidency Conclusions below). According to EurActiv the Commission unveils its energy efficiency action plan by 26 September.

Under the German Presidency, the 2007 Spring Summit intends to adopt an 'Action Plan on a common European energy policy' for which the Commission will adopt an energy package by 10 January 2007.

## Stakeholder Views

Environmentalists were strongly critical of the plan. Greenpeace said it had "serious flaws", WWF said it "lacks a long-term vision for a sustainable and efficient use of resources" and Friends of the Earth called the paper "old-fashioned" and "backward-looking".

The groups' shared concern is the paper's lack of binding targets and deadlines to drive energy efficiency and the use of renewables. They say too much emphasis is still put on fossil fuels.

## Potential and what should be done

The European Commission is currently undertaking a public consultation (on http://ec.europa.eu/energy/green-paper-energy/index_en.htm) before putting forward its next proposals, due in December 2006.

In its current form the Green Paper is not helpful for a strategy which would increase Europe's energy and resource efficiency. It will therefore be highly important to try to influence the upcoming processes, described below.

As a follow-up to the Green Paper, the European Commission is due to adopt its **Strategic Energy Review** in December 2006. This package should contain a number of documents, including a roadmap on renewable energy sources, a report on the functioning of the internal gas and electricity markets, an interconnection plan, and a report on nuclear energy in Europe, among others.

Under the German Presidency, the 2007 Spring Summit will adopt a Prioritised **Action Plan for Energy Policy for Europe**. This is a unique opportunity for the Commission and the Council to set Europe on the right track of a clean and resource efficient way of producing and consuming energy.

To do so, the following actions are required, as highlighted by environmental NGOs:

*Fighting climate change*

Today's energy decisions must contribute not only to meeting the existing commitments under the Kyoto Protocol, but also towards achieving the deeper emission reductions that are required so that the 2-degree objective is met.

1. In order to stay below this temperature limit with significant certainty, the EU must commit to reducing its greenhouse gas emissions by at least 30% by 2020 and by about 80% by 2050;
2. During the review of the Emissions Trading Directive, the European Commission must propose stricter caps and the auctioning of all carbon dioxide allowances under the scheme.

*Securing the massive uptake of renewable energy sources*

Renewable energy sources are the best option for a climate-friendly and secure energy supply. These clean sources have a vast potential. Only a fraction of this is currently being utilised.

- The EU needs to demonstrate its long-term commitment to renewable energy sources by setting 2020 mandatory targets for their primary energy share. For 2020, this target should be 25% for the EU-25. The European Commission should initiate legislation in this field as a matter of urgency. Legally binding sectoral targets for the share of renewable energy in electricity, heating & cooling and transport are also required, according to existing capacities and potentials.
- Renewable energy sources must have guaranteed and priority access to the grid.

*Realising the full potential of energy efficiency and conservation*

Energy efficiency and energy conservation must be clearly linked. Improving energy efficiency levels both in the demand and supply side is essential in order to obtain an absolute reduction in energy consumption. The European Commission's 2005 Green Paper on Energy Efficiency states that Europe could cost-effectively reduce 20% of its current energy consumption by 2020, saving €60 billion per year, and creating as many as 1 million new jobs. Yet, EU policy-making in this area has so far been weak because a sound and consistent energy efficiency policy is lacking.

- A common, ambitious, mandatory target for energy demand reduction needs to be adopted. A target of at least 20% reduction of today's energy consumption by 2020 should be introduced.
- Energy efficiency and energy conservation should be given a prominent role in the EU priorities and financing (in the place of carbon intensive technologies such as 'clean coal' or other fossile fuels, gas infrastructures or nuclear energy) through the FP7, structural and cohesion funds, European financial institution programmes and loans.

*Phasing out subsidies to dirty energy*

Fossil fuels and nuclear energy have received billions in subsidies over the past decades. Also, the external costs of energy production from traditional sources are borne by society, including, for example, the costs from air pollution, health impacts, and the costs of nuclear waste treatment, decommissioning and security. The European Environment Agency estimates that these external costs of nuclear and fossil fuels were 40 to 70 billion Euros in 2003, without taking into account the impacts of climate change on the economy.

- An immediate end must be put to subsidies and state aid to conventional energy sources (fossil fuels and nuclear energy). In accordance with the polluter pays principle, all external costs must be internalised into the price for these energy sources.
- EC Treaty competition powers, especially those regarding state aid and anti-trust, should be employed to trigger a rapid phase-out of subsidies and other unfair advantages that continue to be granted by member states to coal and nuclear energy production. As a minimum, this should include (i) no replacement or renewal of Council Regulation 2002/1407 on state aid to the coal industry (which expires in 2010), and (ii) new binding legislation requiring all nuclear undertakings to have segregated decommissioning and waste management funds sufficient to meet all their post-closure financial liabilities (i.e. enforcement of the polluter pays principle). These initiatives must not be obstructed by member states.

*Recognising nuclear energy as an environmental and financial folly*

Nuclear power can not have a future in Europe. It is dangerous, expensive and unnecessary. The risk of nuclear accidents, the production of highly radioactive waste and the threats of nuclear weapons proliferation are the main reasons why nuclear power needs to be phased out. In addition, nuclear energy can not survive in a truly liberalised market, since it is dependent upon state aid before, during and after the reactors operate.

In addition, according to the German environmental ministry, nuclear power emits considerable amounts of $CO_2$ during uranium-mining, transportation, the building and maintaining of the nuclear power plant, the distribution of the electricity and during waste-management. Nuclear power can therefore not be seen as a contribution to saving the climate.

No more EU funding should be granted to nuclear fission and fusion. This money should instead be allocated to energy efficiency and renewable energy research projects.

*Reversing transport trends*

Transport today accounts for approximately one third of the EU's energy consumption – and the sector consumes 70% of all oil in the EU, arguably causing the greatest European challenge for energy security.

As it looks now, the European car industry is not going to meet the voluntary agreement to reduce the average $CO_2$-emission per kilometre of cars in Europe.

- The Commission should come forward with a legislative proposal to double the fuel efficiency of new cars over the next decade, i.a. also by updating the minimum standard rates of the EU energy tax and further harmonising tax rates for professional diesel (see chapter below).
- Biofuel policies should be pursued separately from fuel efficiency ones, not distracting from the urgent need to introduce more fuel efficient cars.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage |
|---|---|---|
| Greenpeace | Mahi Sideridou | Mahi.Sideridou@diala.greenpeace.org / +32 2 274 1904 / www.greenpeace.eu |
| Friends of the Earth Europe (FoEE) | Jan Kowalzig and Esther Bollendorff | jan.kowalzig@foeeurope.org / +32 2 542 0180 / http://www.foeeurope.org/climate/european_policy.htm |
| CAN (Climate Action Network) | Matthias Duwe | Matthias@climnet.org /+32 2 229 52 20 / http://www.climnet.org/ |
| WWF | Stephan Singer | ssinger@wwfepo.org Tel 32 2 743 8817 |
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## 5.2. Competitiveness and Innovation Framework Programme (CIP) 2007-2013

Proposal of 6th April 2005 establishing a Competitiveness and Innovation Framework Programme (2007-2013) – COM(2005) 121

### Description

In order to meet the objectives of the renewed Lisbon strategy, and thus stimulate growth and employment in Europe, a competitiveness and innovation framework programme was adopted for the period 2007-2013. The framework programme will support measures to strengthen competitiveness and innovation capacity in the European Union. It will particularly encourage the use of information technologies, environmental technologies and renewable energy sources.

The framework programme will incorporate specific Community support programmes, new actions and synergies with other programmes, thus meeting the objectives of the renewed Lisbon strategy for simpler, more visible and better targeted Community action. The overall budget comprises 3.6 billion Euros.

### Specific programmes

To take account of the diversity of its objectives and ensure that these are visible, the CIP will be made up of three specific sub-programmes. The interests of small and medium-sized enterprises (SMEs) will be a cross-cutting priority reflected throughout the framework programme.

- The **Entrepreneurship and Innovation Programme** (2.2 bn €) will bring together activities on promoting entrepreneurship, industrial competitiveness and innovation. This programme will specifically target SMEs, from hi-tech "gazelles" (fast-growing companies) to the traditional micro- and family firms which make up the large majority of European enterprises. It will facilitate SMEs' access to finance and investment during their start-up and growth phase. It will also give businesses access to information and advice on the functioning and opportunities of the internal market, as well as to information on Community legislation applying to them and on future legislation to which they can prepare and adapt in a cost-effective way. In this context, European business support services will play an important role. The programme also makes provision for the exchange of best practices between Member States in order to create a better regulatory and administrative environment for business and innovation. It will also back the promotion of eco-innovation by encouraging efforts to tap the full potential of

environmental technologies (sub-sum: 0.5 bn €). The entrepreneurship and innovation programme will build on the actions of the multi-annual programme for enterprise and entrepreneurship which expires on 31 December 2006.

- The objective of the **Information and Communication Technologies (ICT) Policy Support Programme** (0.7 bn €) will be to promote the adoption and use of ICT, the backbone of the knowledge economy. The uptake of ICTs by both the private and public sector will help stimulate European innovation performance and competitiveness. The programme will form part of the new " i2010: European Information Society " strategy and incorporate the objectives of the eTen, eContent and MODINIS programmes.
- The "**Intelligent Energy - Europe**" Programme (0.7 bn €) will help speed up efforts to achieve the objectives in the field of sustainable energy. It will therefore support improvements in energy efficiency, the adoption of new and renewable energy sources, greater market penetration for these energy sources, the diversification of energy and fuels, an increase in the share of renewable energy (the EU has set itself the objective of raising the share of renewable energy in gross inland consumption to 12% by 2010) and a reduction in final energy consumption. Particular attention will be paid in this context to the transport sector. The programme will ensure there is a follow-up to the "Intelligent Energy – Europe" (2003-2006) programme, which expires on 31 December 2006.
  (See also extra chapter below.)

## Timetable

The framework programme will run for seven years from 1 January 2007 to 31 December 2013. It should be allocated a budget of 3 621 million Euros for the duration of the programme.

## Stakeholder Views

Several renewable energy associations such as the European Renewable Energies Federation (EREF) are very concerned about the integration of the existing “Intelligent Energy Europe (IEE)” programme into this new proposal because it would damage the effectiveness of the programme as well as of the new executive Agency. The Commission is thus asked to keep the existing system with a separate programme with a specific budget line under DG TREN. This will serve as identity of the renewable energy community in Europe and will enable to screen and compare public funding spent for renewable energies in relation with public funding spent for fossil energies and nuclear.

The aim of EREF is certainly to reach a level playing field in public funding for the different energy sources and to ask the Commission to prepare a strategic programme of constant increase of RES energy funding while decrease of funding for the other fossil or nuclear energies in order to reach a momentum where there is a direct balance of funding.

Distortion of competition in the energy sector is a strong barrier, mainly based on vast harmful subsidies given to the fossil and nuclear sector. UN figures on energy estimate that harmful subsidies to the traditional fossil and nuclear sector amount to 250 billion US$ worldwide per year.
For EREF the imbalance by those distorting open and hidden subsidies to the incumbent fossil and nuclear industry worldwide is also reflected in the RTD programmes:

- IEA countries allocate for energy R&D
    - ~ 8% for renewable energy (2% on bioenergy),
    - ~ 12% for energy efficiency
    - > 50% for nuclear, mostly fusion
- EU
    - Energy in 7th Research Framework Programme totals €3 billion
    - Nuclear receives €4.8 billion from Euratom (€3.4 for fusion)

The Commission is devoted to an open information policy and the capability to identify budget posts and funding targets in the energy field must be part of this policy.

Business federation UNICE welcomed the CIP proposal, highlighting the simplification of Community programmes and the fact that competitiveness "is taken as the overriding theme that must inspire and drive all the sub-programmes". Eurochambres (the Association of European Chambers of Commerce and Industry) appreciated that "SMEs are to be placed at the core of this strategy". UEAPME, the European crafts and SME employers association, welcomed the programme, saying that "the proposal for new financial instruments, providing funding for seed and venture capital and business angels, is a positive development for European business. However, this must not come at the expense of traditional financial instruments, such as EIF funding for credit guarantee schemes and micro-credit schemes, which are more relevant for smaller firms". In addition, "actions targeting micro-businesses must be introduced under the CIP if it is to live up to its name."

## Potential and what should be done

This process is more or less driven by researchers and by the overall objective of the EU to step up innovations and research. Given that energy and resource efficiency is on the political agenda, it is likely that the process is at least moving in the right direction.

Funding via part of the programme can be useful to help innovation in the direction of energy efficiency.

In general, however, the amount of funding for efficiency and renewables is still very low in comparison to funding for nuclear/fusion research and in comparison to other support fossil fuels and nuclear is receiving. This needs to be changed if energy efficiency is to become an overarching aim of the European Union. Energy efficiency can be a main driver of innovation and competitiveness and should therefore get top priority, especially in the EU's Competitiveness and Innovation Framework Programme.

## NGOs working on the subject

| Name of NGO | Contact | E-mail/Tel./Fax | Webpage | Specific Area NGO is working on |
|---|---|---|---|---|
| EuroHeat: EUROHEAT & POWER | Norela Constantinescu Projects Coordinator | norela.constantinescu@euroheat.org<br>+32-(0)2 740 21 10<br>+32-(0)2 740 21 19 | www.euroheat.org | District heating |
| EREF | Dr. Dörte Fouquet Director | fouquet@kuhbier.com<br>+32 - (0)2 - 67 24 367<br>+32 - (0)2 - 67 27 016 | http://www.eref-europe.org/ | Renewable electricity |

## Sources

CIP-homepage:
http://ec.europa.eu/enterprise/enterprise_policy/cip/index_en.htm

Proposal COM (2005) 121:
http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&an_doc=2005&nu_doc=121

http://europa.eu.int/scadplus/leg/en/lvb/n26104.htm

http://www.ciprogram.com/

On the procedure: http://ec.europa.eu/prelex/detail_dossier_real.cfm?CL=en&DosId=192716 Public consultation and opinions given: http://ec.europa.eu/enterprise/enterprise_policy/cip/consultation.htm

Energy, Environmental and Transport NGOs:
http://ec.europa.eu/enterprise/enterprise_policy/cip/contributions_otherassociations.htm

## 5.3. Intelligent Energy Europe

### Description

The Intelligent Energy – Europe programme (2003-2006) will be continued and enlarged under the Competitiveness and Innovation Framework Programme 2007-2013 (CIP). Based on Article 175(1) of the Treaty, it is the Intelligent Energy – Europe Programme's objective to support sustainable development as it relates to energy and to contribute to the achievement of the general goals of environmental protection, security of supply and competitiveness in all sectors. The Intelligent Energy – Europe programme is the Community's non-technological programme in the field of energy focusing on the removal of non-technical barriers, the creation of market opportunities and raising awareness.

The Intelligent Energy – Europe Programme under the CIP aims therefore to accelerate action in relation to the agreed Community strategy and targets in the field of sustainable energy, in particular

- to facilitate the development and implementation of the energy regulatory framework;
- to increase the level of investment in new and best performing technologies and
- to increase the uptake and demand for energy efficiency, renewable energy sources and energy diversification, including in transport, through awareness and knowledge raising among key actors in the EU.

The programme will help to bridge the gap between the successful demonstration of innovative technologies and their effective introduction to the market to achieve mass deployment. It will help to strengthen the administrative capacity both to develop strategies and policies and to implement existing regulations, particularly with regard to the new Member States. The programme will also aim at sustainable economic growth with job creation, greater social cohesion and higher quality of life, while preventing waste of natural resources. It covers for main areas:

- new and renewable energy sources (ALTENER)
- energy efficiency, notably in buildings and industry (SAVE)
- energy aspects of transport (STEER)
- co-operation with developing countries (COOPENER)

With a total budget of €727 million, Intelligent Energy - Europe co-finances activities, which support the objectives of the programme and hence EU energy policy. Four types of activities are supported, usually covering up to 50% of the costs: projects, events, start-ups of local/regional energy agencies, concerted actions with participating countries.

An ex-ante evaluation for the "Intelligent Energy – Europe" successor programme found that the current programme is cost-effective and that the new programme should provide continuity.

Since 2005, the programme is implemented by the new Intelligent Energy Executive Agency (IEEA).

## Timetable

The current Programme "Intelligent Energy for Europe" is enlarged under the CIP (see separate chapter above). As one of the concrete activities the Commission set up a "Sustainable Energy Europe Campaign" for 2005-2008. During the programme period several calls for proposals will be launched.

## Stakeholder Views

Industry has similar views as on the Competitiveness and Innovation Framework Programme (see separate chapter). The IEE has been specifically welcomed by EuroAce. Environmental NGOs are supportive as well, pointing out however the relatively small size of the programme in comparison to other programmes and subsidies in the European Union, which have less positive or even negative effects on the environment.

## Potential and what should be done

While being relatively small in size (in comparison to other EU budgets), the Intelligent Energy for Europe Programme has a high potential to increase energy efficiency levels. The process can be considered as more or less driven by researchers and progressive industry and by the overall objective of the EU to step up innovations and research. Given that energy and resource efficiency is on the political agenda, it can be assumed that the process is at least moving in the right direction.

## NGOs working on the subject

| Name of NGO | Contact | E-mail/Tel./Fax | Webpage | Specific Area NGO is working on |
|---|---|---|---|---|
| EuroAce (The European Alliance of Companies for Energy Efficiency in Buildings) | Andrew Warren | euroace@eurima.org<br>+32 2 639 10 10<br>+32 2 639 10 15 | http://www.euroace.org/eieurope.htm | Energy efficiency in buildings |

## Sources

Intelligent Energy – Europe' Programme
http://ec.europa.eu/energy/intelligent/index_en.html

Multiannual programme for action in the field of energy
http://europa.eu.int/scadplus/leg/en/lvb/l27046.htm

Intelligent Energy Executive Agency: http://ec.europa.eu/energy/intelligent/ieea/index_en.htm

Commission's Sustainable Energy Europe Campaign: http://www.sustenergy.org/home.htm

European Council for an Energy Efficient Europe:
http://www.eceee.org/

CIP:
http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&an_doc=2005&nu_doc=121

## 5.4. Energy Tax

Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity – in connection with the Council Directive 2004/74/EC of 29 April 2004 for adaptation of the above Directive providing transition periods for Accession Member States

http://ec.europa.eu/taxation_customs/resources/documents/taxation/excise_duties/energy_products/legislation/COM%282006%290342_en.pdf

### Description

The Directive aims at a better harmonisation of tax structures of all energy taxes, partly also at a harmonisation of tax levels. Energy products and electricity are only taxed when they are used as motor or heating fuel, and not when they are used as raw materials or for the purposes of chemical reduction or in electrolytic and metallurgical processes. On the basis of this principle, the Directive sets minimum rates of taxation for motor fuel, motor fuel for industrial or commercial use, heating fuel and electricity. The "levels of taxation" applied by the Member States may not be lower than the minimum rates set in the Directive.

It is the first requirement for a region worldwide to introduce at least minimum tax rates on all energy products. Until end 2003, only mineral oil products used for energetic purposes had to comply with minimum tax rates. However, given the new directive provides only for minimum energy tax rates, which are below most national taxes, it fails to deliver strong incentives for efficiency and renewables. As unanimity voting was required it took almost 11 years from the first proposal in 1992 until it was adopted. As unanimity is also required in the new draft EU Constitution, this is the major barrier for future progress.

However, several smaller steps are possible:

- As laid down in the directive, the Commission has reviewed all derogations in annexes II and III of the EU energy tax directive that expire by the end of 2006. Whereas some will expire, it is likely that Member States ask for further prolongation of them by an unanimous Council decision. Thus it is only up to the Member States to block such a further derogation.
- The Commission aims at a stronger harmonisation of the professional diesel tax rates and has thus initiated a public consultation. The proposal suggests a limited range of rates at a level which should be higher from the resource and energy efficiency point of view. The German Presidency has a strong interest in stronger harmonisation.

## Timetable

The Directive was initially proposed in 1992, modified in 1995 and fundamentally renewed in 1997. It went into force January 2004, however with generous transition periods (general until end of 2006). Many Member States have not yet implemented it.

The Directive comprises several report obligations in 2006 and beyond, mostly on the exemptions. Based on these reports and a proposal of the Commission, the Council shall decide before January 2008 on the end of any exemptions: Not later than 1 January 2012, the Council, acting unanimously after consulting the European Parliament, shall, on the basis of a report and a proposal from the Commission, decide upon the minimum levels of taxation applicable to gas oil for a further period beginning on 1 January 2013.

## Stakeholder Views

The Commission is very much in favour. Industry, driven by a few energy intensive companies, is quite sceptic, because it fears a loss of competitiveness. Some industry groups, such as UEAPME, e5 and EREC are however positive as they see benefits through increased jobs and innovation. Unions are positive as they see the (small) environmental benefits and similarly the possibility to create jobs and to reduce labour costs (without reducing benefits to workers). The European Environmental Bureau (EEB) and other environmental NGOs appreciate it, but consider it only as a weak first step. Nordic and western European governments tend to be in favour, while Southern and cohesion countries are rather sceptic and have actually blocked the adoption for many years.

## Potential and what should be done

Increasing energy taxes – especially when combined with an ecological tax reform, which shifts taxes away from labour and onto energy – is one of the economically most efficient ways to move forward energy efficiency, innovation and job creation at the same time. This has been shown by many macro-economic studies. Bigger steps in this direction are however slowed down because of the unanimity rule on tax issues on the European level.

For the above mentioned Directive (for the taxation of energy products and electricity), currently only national implementation is still of relevance. National implementation can contribute to increasing energy and resource efficiency in the EU, but depends very much on the specifics of the national implementation. National implementation should use the many options in an ambitious way, apart from the above mentioned reports/reviews. Taxing the non-energetic use of energy products could be a first step towards material input taxation.

Particularly options (though non-mandatory) are: taxation of kerosene for domestic flights and flights between two Member States, increase of diesel-taxation used for private

purposes (closer to that of gasoline) and the taxation of non-energetic use of energy products.

Keeping up the demand for European-wide increased energy taxes (harmonised minimum tax levels), combined with general action on environmental fiscal reform, including a phase out environmental harmful subsidies, is important. The EU has made high level commitments for progress in this field on many occasions (see also 6th EAP chapter above). Nevertheless, immediate success is not in sight at the moment. Alternative options need to be explored. On the one hand one can observe a trend at national level to increase the use of such instruments, be it for their own purpose or as a by-product of national budget reforms. Further to this, energy security and thus the need to increase efficiency are discussed at high political level. Based on those trends it should be possible to find like-minded countries, which create the critical mass for EU level coordination and steering. This could start with the enhanced cooperation or, even better, with open method of coordination rules, provided by the Treaty. Those rules do not require unanimity and either allow a group of like-minded countries to move ahead (enhanced cooperation) or coordinate activities through policy exchange and mutual learning, based on common objectives, indicators and reporting (open method of coordination).

In addition, as the negotiations on the energy tax directive (see separate chapter) have shown, the driver for progress on EU level and the way to achieve unanimity is the adoption of a directive just before the accession of new Member States. This could then be Croatia and Turkey, though only likely after 2010.

Finally, the Commission should examine and then propose how to apply a border tax adjustment (or energy tariff adjustment) at its EU border. It would work like with the value added tax (VAT), which exempts exports and levies imports. Basing the energy tax for basic, energy-intensive products on such a mechanism (while differentiating according to the energy intensity of the production process) could turn the relatively high energy tax level in Europe into a competitive advantage for industry. It would thus contribute substantially to the Lisbon Strategy and could equally provide incentives for other regions of the world to join in a climate policy regime after 2012. Given changing tariffs do not require unanimity this could be a promising way forward.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage | Specific Area NGO is working on |
|---|---|---|---|
| European Environmental Bureau (EEB) | Pendo Maro | pendo.maro@eeb.org<br>+32.2.2891302<br>www.eeb.org, www.ecotax.info | All EU environmental policy issues, has a specific EU-network of experts on ETR |
| Green Budget Germany (GBG) | Kai Schlegelmilch | foes@foes.de<br>+49-89-520113-13<br>www.foes.de, www.eco-tax.info | Environmental Tax and Fiscal Reform and related economic instruments |
| BUND (Friends of the Earth Germany) | Matthias Seiche | matthias.seiche@bund.net<br>+49-30-27586-433<br>www.bund.net, www.oekosteuer.de | All environmental policy issues, climate policy, fiscal reform |

## Sources

Overview: http://europa.eu.int/scadplus/leg/en/lvb/l27019.htm

Directive: http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l_283/l_28320031031en00510070.pdf

Procedure: http://europa.eu.int/prelex/detail_dossier_real.cfm?CL=en&DosId=11709

Directive for Accession Countries:
http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&an_doc=2004&nu_doc=42

Procedure of the latter: http://europa.eu.int/prelex/detail_dossier_real.cfm?CL=en&DosId=188491

Communication COM(2006) 342 final, 30.06.2006: Review of the derogations in Annexes II and III of Council Directive 2003/96/EC that expire by the end of 2006:
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Webpage of the European Environmental Burau on 'environmental fiscal reform':
http://www.eeb.org/activities/env_fiscal_reform/Index.htm
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http://www.ief.es/Publicaciones/Documentos/Doc_21_05.pdf

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Consultation Paper on narrowing excessive differences in the tax levels applicable to commercial diesel:
http://ec.europa.eu/taxation_customs/common/consultations/tax/article_2717_de.htm

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http://ec.europa.eu/taxation_customs/resources/documents/taxation/excise_duties/energy_products/legislation/COM%282006%290342_en.pdf

Proposals for border tax adjustments: Biermann, Frank, and Rainer Brohm (2003): Implementing the Kyoto Protocol without the United States: The Strategic Role of Energy Tax Adjustments at the Border. Global Governance Working Paper No. 5:
http://www.glogov.org/upload/public%20files/pdf/publications/BiermannBrohmClimatePolicy4(2005)BorderTaxAdjustment.pdf

## 5.5. Energy Subsidies / State Aid

### Description

There is no agreed definition of energy subsidies among European Union (EU) Member States. The term may include cash transfers paid directly to producers, consumers and related bodies, as well as less transparent support mechanisms, such as tax exemptions and rebates, price controls, trade restrictions, planning consent and limits on market access. It may also cover government failure to correct market imperfections, such as external costs arising from energy production or consumption. This results in a wide range of economic estimates and confused policy arguments.

In 2004, the European Environment Agency (EEA) published an overview on energy subsidies. The report has synthesized data from a range of sources to estimate the size of support to the energy sector in EU 15. Total subsidies (excluding external costs) are estimated in the order of €29 billion a year.

Despite significant emissions of carbon dioxide and residual air pollutants emanating from the burning of fossil fuels, the amount of fossil fuel subsidies remains high, particularly for coal. However, there has been reduction in support to coal production over the past years and this has led to reductions in coal production in these countries. These reductions may lead to domestic coal being replaced in the short term, at least in part, by imported coal, in which case the environmental benefits may be rather small. However, in the medium and longer terms, as the markets react to the ensuing higher coal prices, there would probably be increased use of gas and renewables.

Support for renewable energy, which is on balance considered environmentally beneficial, is increasing steadily through the introduction of regulatory support mechanisms. While some specific cases are occasionally discussed – such as large hydro, energy crops or badly located wind turbines - renewable energy in general has significant positive environmental impacts. The renewable energies are a much less mature industry with arguably greater need for technological and market support to enable full commercial development. It can be expected that subsidies for the renewable industry will fall as costs decline and the technologies mature.

In historical terms renewable energy subsidies in the EU 15 are relatively low in comparison with other forms of energy during periods of fuel transition and technology development. More mature fuels, such as natural gas, continue to benefit from the technological and industrial infrastructure built up during previous decades.

The lack of consistent subsidy data is an obstacle to reaching more definite conclusions on the appropriateness of the amounts and structures of subsidies on the different fuels

across the EU. There is a need for a harmonised energy subsidy reporting framework on the basis of an agreed definition.

The European Commission has published internal guidelines for approving state aid to provide for a level playing field and avoid trade distortions in the EU and a "scoreboard", a kind of vague registry of environmentally subsidies in October 2005 within the currently prepared review of the 6th EAP. Still, the largest deficit is their inconsistency, since these guidelines are very much differing for each sector. For the hard coal and the agricultural sectors they are quite generous, but for environmental support they are relatively restrictive.

## Timetable

Beyond the EU-Commission's annual report of direct state aid for the coal industry, there is no harmonised reporting mechanism. Attempts have been made over recent years to provide a full audit of EU 15 energy support by the European Parliament (Oosterhuis, 2001) and the European Commission (2003). Both are snapshots based upon best available data, rather than structured ongoing reviews and have not been updated since. No data is available for all EU 25. However, possibly the EEA will come up with an updated publication, at least on transport subsidies. Currently the environmental state aid guidelines are under revision. The results of the consultation were published in June 2006. For hard coal, state aid may still be granted until 2010.

## Stakeholder Views

A vast majority of stakeholders agree to the principle of subsidy reduction, especially when it comes to environmentally harmful subsidies. However, the more concrete the action is supposed to be, the more resistance, of course particularly from the directly affected stakeholders, is emerging. But generally speaking there are relatively good coalitions for energy subsidy reduction possible, e.g. also with liberal tax associations (as happened in the USA with the Green Scissors). To this end, alliances have to be chosen according to the specific circumstances.

The environmental organisations have demanded the end to environmentally perverse subsidies (and especially subsidies to dirty energy) for a long time. Already in 2001 at the EU summit in Gothenburg, environmental organisations made this a key demand. However, while this idea had been supported in the Sustainable Development Strategy, which was prepared by the European Commission for the EU summit in Gothenburg, the heads of state did not adopt any wording in their final statement and no action has been seen so far on the EU level.

## Potential and what should be done

Subsidies for fossil fuels make environmentally problematic forms of energy (such as coal) artificially cheap. Removing such subsidies would therefore result in a shift towards more environmentally friendly forms of energy. It would also mean an increase in the price of energy and therefore be an incentive for more efficient use of energy. Coal subsidies also have some impact in the long run as structures are built up accordingly and no signs for a different energy policy are given. The revision of the state aid guidelines in various sectors is a very good opportunity to make them more consistent with each other and to integrate environmental aspects in most of the others. Not allowing for any further hard coal subsidies after 2010 would be a good objective. As there is no legal basis beyond 2010 for these subsidies, no new initiative from the Commission must be taken. In other words, such an initiative should be avoided, resulting in the end of these subsidies.

NGOs could use the rich experiences and EU-wide network of the NGOs mentioned below. It is often possible to build on partly unexpected coalitions for energy subsidy reduction. However, these coalitions have to be chosen according to the specific circumstances. Removing energy subsidies provides another dividend by cutting budget expenditures without necessarily having to increase taxes. This gives chances for a broader support of the idea as it is logically considered perverse having to pay higher taxes even for subsidies which run counter to the environment.

At the same time, subsidies which help to introduce renewable energy and energy efficiency should not be reduced but explicitly allowed under any new regulation.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Tel/Webpage | Specific Area NGO is working on |
|---|---|---|---|
| European Environmental Bureau (EEB) | Pendo Maro, Stefan Scheuer | pendo.maro@eeb.org<br>+32.2.2891302<br>www.eeb.org, www.ecotax.info | All EU environmental policy issues, has a specific EU-network of experts on ETR |
| Greenpeace International | Sven Teske | sven.teske@int.greenpeace.org<br>www.greenpeace.org | All environmental policy issues, energy, nuclear, climate policy |
| Green Budget Germany (GBG) | Kai Schlegelmilch, Bettina Meyer | foes@foes.de<br>+49-89-520113-13<br>www.foes.de, www.eco-tax.info | Environmental Tax and Fiscal Reform (incl. subsidy reform) and related economic instruments |
| BUND (Friends of the Earth Germany) | Matthias Seiche | matthias.seiche@bund.net<br>+49-30-27586-433<br>www.bund.net, www.oekosteuer.de | All environmental policy issues, climate policy |
| Levegö – Clean Air Action Group | András Lukács, Zoltan Szabo | Szabo@levego.hu<br>lukacs@levego.hu<br>+36-1-209 3822/-3823<br>http://www.levego.hu | All environmental policy issues, climate policy |
| Friends of the Earth US | | http://www.greendonor.org/ngos/foe.htm<br>+1 (877) 843-8687<br>www.foe.org | Green Scissors |

## Sources

See also links at the fact sheets on the Sustainable Development Strategy, the Common Agricultural Policy and the 6th Environmental Action Programme.

Green Budget Germany:
http://www.eco-tax.info/4fakten/index.html,

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http://www.ecologic.de/projekte/3ea/subsidies/php/index.php

EEA-report on energy subsidies:
http://reports.eea.eu.int/technical_report_2004_1/en/Energy_FINAL_web.pdf

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State aid overview:
http://europa.eu.int/comm/competition/state_aid/overview/

State aid guidelines review consultation results:
http://ec.europa.eu/comm/competition/state_aid/others/rep_env.html

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# 6. Climate Policy

## 6.1. Climate Policy Overview

### Description and Timetable

Climate change has been an important policy driver for European policy, especially since the adoption of the Kyoto Protocol in December 1997. The EU and its Member States are committed to absolute reductions in greenhouse gas emission levels, which have in the meantime also become legally binding under European law. The EU has initiated a package of policies over the last years to make these reductions possible. However, other developments and policies are producing more and more emissions, so that overall progress towards the targets is not satisfactory at present.

The EU has been playing a progressive role in the UN negotiations on climate change, especially in the face of US withdrawal from the Kyoto Protocol. Priority now lies in agreeing long-term emission reductions and an international framework beyond the initial 2012 time horizon.

Under the Kyoto Protocol, the EU agreed to an absolute cut in greenhouse gas emissions of 8% against its 1990 levels to be achieved by the period 2008-12. This target has been broken down into a variety of national targets under what is known as the "burden-sharing agreement" (though climate policy is often considered a win-win-strategy) to account for historical responsibility, emission intensity and economic differences.

EU Member States asked the Commission to help them with achieving their targets through common and coordinated policies and measures. This led to the inauguration of the European Climate Change Program (ECCP) in 2000, which has produced a suite of legislative tools for emission reductions from the EU Emissions Trading System to renewable energy support.

Most new Member States that joined in 2005 have targets in the range of the EU15's 8%, but have almost all met those reductions due to economic declines in the early 1990s. Progress in the EU15 is not satisfactory as per the latest emission data. Between 1990 and 2004, the overall balance shows only a reduction of 0.9% (after two years in a row with growing emissions). The EU15 economies grew 32% in the same time-frame.

As the first commitment period of Kyoto approaches, the international talks are moving towards discussing the long-term future after 2012. In late 2005, several processes to advance the UN treaties were agreed and negotiations have gone underway cautiously. In the EU, the European Commission published a communication on "Winning the battle

against climate change" and the EU Council agreed at the summit in March 2005 that industrialised countries should make reductions of up to 30% by 2020.

## Stakeholder Views

Different parts of the European Commission have been in disagreement over the role of the EU in the international negotiations and the development of domestic emission reductions, but overall it has been a proponent of progressive action and continued EU leadership

Environmental NGOs, joined under the umbrella of the Climate Action Network demand that Europe retains the leadership role in the international negotiation. They have called for the adoption of more ambitious reduction targets in the EU and increased efforts to build an international alliance of countries that will continue the Kyoto Protocol.

Most European Governments realise their responsibility for moving climate policy further ahead, but Environmental Ministries are facing opposition in implementing emission cuts and see little backing for new targets without concession from non-EU countries.

Industry associations such as UNICE are emphasising that from their point of view climate change policy can have detrimental impacts on their international competitiveness and warn that additional targets and policies will further deteriorate European competitiveness – a point of view heavily disputed by NGOs.

## Potential and what should be done

Efforts to reduce greenhouse gas emissions go hand in hand with energy and resource efficiency enhancements in principle. Policies to reduce greenhouse gas emissions are often targeted directly at enhancing efficiency on the demand and the supply side, supporting renewable sources of energy and replacing fossil fuels. The Kyoto Protocol and its targets have been the main drivers for legislation in these areas. Opposition to new targets and additional policies is growing in spite of the fact that warning signals from scientists about potentially catastrophic climate change get more dramatic every year. This could jeopardise the benefits for energy and resource use and also stifle the international talks. The EU must remain a progressive force in the international negotiations. Any next step will require deeper reductions. EU Member States should start elaborating what this will be in more detail, to give important signals to business in Europe and its international negotiation partners.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage | Specific Area NGO is working on |
|---|---|---|---|
| CAN (Climate Action Network) | Matthias Duwe | matthias@climnet.org / +32-2 229 52 20 http://www.climnet.org/ | European and international climate and energy policy |
| Friends of the Earth Europe (FoEE) | Jan Kowalzig | jan.kowalzig@foeeurope.org / +32 2 5420180 / http://www.foeeurope.org/climate/european_policy.htm | All major environmental issues, certain focus on climate change |
| Greenpeace | Mahi Sideridou | Mahi.Sideridou@diala.greenpeace.org / +32 2 274 1904 / www.greenpeace.eu | All major environmental issues, including climate change |
| WWF | Oliver Rapf, Senior Policy Officer Climate Change & Business, European Policy Office | orapf@wwfepo.org/+32 2 7438808/http://powerswitch.panda.org/news_publications/news_detail.cfm?uxNewsID=50500 | Nature Conservation, but also more policy oriented issues like climate change and instruments such as emissions trading. |

## Sources

DG Environment webpages on EU climate policy

http://ec.europa.eu/environment/climat/home_en.htm

Post-2012 communication from the European Commission "Winning the battle against climate change"

http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005_0035en01.pdf

Conclusions from EU summit of March 2005

http://ec.europa.eu/environment/climat/pdf/spring_2005.pdf

Latest data on greenhouse gas emissions in the EU (EEA)

http://reports.eea.europa.eu/technical_report_2006_6/en

## 6.2. European Climate Change Program (ECCP)

### Description

The European Climate Change Program is the framework in which EU climate policy has been developed since the year 2000. It was introduced to help fulfil the Kyoto Protocol targets for 2008-12, but is now starting to look also at the longer term. Legislation counted among its outcomes includes the EU Emissions Trading System (ETS), support measures for renewable energy, measures to enhance energy efficiency, and new areas such as adaptation to impacts in Europe. The ECCP also represents the main stakeholder consultation tool for climate policy and operates in working groups made up of Member State representatives, industry associations and companies of affected sectors, academics and environmental and consumer groups.

### Timetable

The first ECCP was initiated in the year 2000 and worked in two phases, each including consultations of stakeholder working groups and feeding into legislation being prepared by the European Commission. In the mean-time, a number of policy initiatives were turned into legislation that had been recommended under its auspices. In October 2005 a second ECCP was started, once more inviting stakeholder views through working groups, including a review of progress achieved so far and new elements such as carbon capture and storage technology.

### Stakeholder Views

The European Commission - DG Environment in particular - has been using the ECCP in the past, but its ambition levels in the second ECCP and the progress review have been low so far, owed probably to a lack of political will on the Member State level and complex negotiations on the extension of existing ECCP policies such as the EU ETS (Emission Trading System). Findings of a Commission sponsored study by the German Öko-Institut pointed out problems with the comparability of the reporting of Member States' implementation and could trigger improvements.

NGOs appreciate the inclusive approach of the ECCP and its working groups, but are less impressed with the speed and the design of a number of the policies adopted in its name. For the second ECCP they demanded a rigorous assessment of progress towards Kyoto targets that would point out gaps to be filled by better implementation and additional policies (e.g. for transport and energy efficiency).

Member States' involvement in the ECCP's working groups has been low profile except for cases where they could present best practice examples. Appetite for additional policies is low and reminders of necessary improvements in implementing EU legislation are not well received in most cases.

Traditional industry representatives use the ECCP to caution against additional climate policy measures, but are increasingly being challenged in specific areas such as renewable energy sources and energy savings in equipment or housing by "winner industries", which manufacture products that suit those environmental markets.

## Potential and what should be done

The ECCP is one of the main vehicles with which EU climate policy can be advanced and through which additional measures to reduce greenhouse gas emissions can be put in place in all sectors, including energy and transport. As a process it is an important balancing element to ongoing attempts to marginalize the importance of climate change considerations. It is also a main tool through which long-term aims can be met. The apparent lack of enthusiasm for the ECCP as a process among many policy-makers may diminish its impact, but it can advance through next steps in the individual policy areas covered by it. At the Member State level, better tools for monitoring and enforcing implementation of existing policies would be important for the period 2008-12 already. For the long-term a new set of targets for greenhouse gas reductions beyond 2012 would provide new energy to the ECCP.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage | Specific Area NGO is working on |
|---|---|---|---|
| CAN-Europe (Climate Action Network Europe) | Matthias Duwe, Director | matthias@climnet.org /+32-2 229 52 20 http://www.climnet.org/EUenergy/ECCP.html | European and international climate and energy policy |
| Greenpeace | Mahi Sideridou | Mahi.Sideridou@diala.greenpeace.org / +32 2 274 1904 / www.greenpeace.eu | All major environmental issues, including climate change |
| WWF, European Policy Office | Oliver Rapf, Senior Policy Officer Climate Change & Business, | orapf@wwfepo.org / +32-2-7438808 / http://powerswitch.panda.org/news_publications/news_detail.cfm?uxNewsID=50500 | Nature Conservation, but also more policy oriented issues like climate change and instruments such as emissions trading. WWF launched a Powerswitch campaign. |

## Sources

DG Environment web pages on the ECCP: http://ec.europa.eu/environment/climat/eccp.htm

Detailed brochure on the ECCP http://ec.europa.eu/environment/climat/pdf/eu_climate_change_progr.pdf

ECCP II process documents: http://forum.europa.eu.int/Public/irc/env/eccp_2/library

CAN-Europe webpages on the ECCP: http://www.climnet.org/

## 6.3. Post 2012: European Climate Change Policy beyond Kyoto's First Commitment Period

### Description

The Kyoto Protocol defines differentiated greenhouse gas emission reduction targets for industrialized countries to be achieved for the first commitment period 2008-2012, compared to 1990 levels. The Protocol does not, however, define the architecture or provisions of an agreement for a second commitment period, post 2012. Following a decision at the Montreal Conference of Parties in 2005, work on post-2012 at the international level will involve three tracks, a Dialogue on long-term cooperative action to address climate change, negotiation of new emission reduction targets for industrialized countries and a more general review of the Protocol.

### Timetable

Discussions have already begun on the first two tracks, while the Protocol review is scheduled to open in November 2006. To avoid a gap between commitment periods - a position supported by the EU - several years will be required between adoption of a post 2012 agreement and its coming into force. This implies a deadline for completion of negotiations of 2008.

Following stakeholder consultation, in February 2005 the EU Commission produced its Green Paper on Post 2012 "Winning the Battle Against Climate Change". This Paper assessed the costs and benefits of limiting climate change and identified four major challenges to doing so:

- the extent of the climate challenge and the depth of emission reductions required
- the challenge of encouraging broader international participation
- the challenge of clean technology development and its dissemination
- the challenges posed by the need to adapt to already unavoidable climate change.

The 2005 Spring Council invited the EU Commission to "continue its cost-benefit analysis of $CO_2$ reduction strategies". The Commission is due to publish this follow-up Green Paper on post 2012 at the end of October 2006.

### Stakeholder Views

From the stakeholder consultation for "Winning the Battle Against Climate Change", some clear lines of division between different stakeholder groups were evident. Energy-

intensive industries tended to underline the need to maintain economic competitiveness, emphasized the role of sequestration technologies and called for global emissions reduction efforts. Companies with interests in insulation, renewable energy and efficiency technologies tended to have views closer to those of the NGOs, emphasizing respectively the roles of efficiency measures and renewables for achieving cuts in emissions. NGOs supported the EU's 2°C global maximum temperature increase target, while there were industrial stakeholders who questioned this target's validity.

The tenor of these positions is unlikely to have changed substantially in the intervening time.

## Potential and what should be done

The quantified emissions reduction obligation of the first commitment period of the Kyoto Protocol has served as a driver for EU climate policy and emission reduction measures, such as the EU Emissions Trading System, have been developed in response. The 2005 Council conclusions underlined the "importance of the immediate and effective implementation of agreed policies and measures" while reconfirming, in the context of the Kyoto target, the Commission to "develop a strategic framework on climate change measures and technologies under the European Climate Change Programme (ECCP)". Greater implementation of existing policies and effective targeting of resources - human and financial - at key policy initiatives dealing with efficiency measures will be necessary to meet the EU's existing Kyoto targets and to enable it to achieve deeper emission reductions post 2012.

The direct link between efficient use of energy and resources and greenhouse gas emissions makes the agreement of post 2012 quantified emission reduction obligations an important driver for continuing efforts to increase the EU's energy and resource efficiency beyond 2012.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage | Specific Area NGO is working on |
|---|---|---|---|
| CAN (Climate Action Network) | Katherine Watts | katherine@climnet.org<br>+32-2 229 52 22<br>http://www.climnet.org/EUenergy/ET.html | International and European climate policy |
| Friends of the Earth Europe (FoEE) | Jan Kowalzig and Esther Bollendorff | jan.kowalzig@foeeurope.org<br>esther.bollendorf@foeeurope.org/<br>+3225420180; www.foeeurope.org/ | All major environmental issues, certain focus on climate change |
| WWF, European Policy Office<br><br><br><br>eenpeace | Stefan Singer<br><br><br><br>Mahi Sideridou | ssinger@wwfepo.org<br>+32 2 7438808<br>http://powerswitch.panda.org/news_publications/news_detail.cfm?uxNewsID=50500<br>mahi.sideridou@diala.greenpeace.org | Nature Conservation, but also more policy oriented issues like climate change and instruments such as emissions trading. All major environmental issues, certain focus on climate change |

## Sources

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http://unfccc.int/resource/docs/convkp/kpeng.html

Council conclusions March 2005:
http://ec.europa.eu/environment/climat/pdf/spring_2005.pdf

Commission Green Paper 2005 "Winning the Battle Against Climate Change":
http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005_0035en01.pdf

Summary of Commission Stakeholder Consultation November 2004:
http://ec.europa.eu/environment/climat/future_act_sum.htm

Summary of Commission Stakeholder conference, November 2004:
http://ec.europa.eu/environment/climat/stakeholder_conf.htm

EU submission to UNFCCC on Article 3.9:
http://unfccc.int/resource/docs/2006/awg1/eng/misc01.pdf#search=%22article%203.9%20submissions%22

## 6.4. Emissions Trading System (ETS)

Directive on the greenhouse gas emission allowance trading, 2003/87/EC, 13.10.2003

### Description

The EU ETS covers $CO_2$ emissions from large emitters in the power and heat generation industry and in selected energy-intensive industrial sectors: combustion plants, oil refineries, coke ovens, iron and steel plants and factories making cement, glass, lime, bricks, ceramics, pulp and paper. Even with this limited scope, close to 11,500 installations in the 25 Member States are covered, accounting for around 45 % of the EU's total $CO_2$ emissions or about 30 % of its overall greenhouse gas emissions. These $CO_2$-emissions have to decrease since 1.1.2005, but this depends on each of the National Allocation Plans which were submitted by each Member State, reviewed and partly revised by the Commission.

### Timetable

The 1st commitment period started 2005 and runs until 2007 and the details for this period were set in the National Allocation Plans in 2004. The 2nd trading period is set for 2008-2012, which is equal to the Kyoto targets' timeframe. For this period, Member States (MS) had to submit new National Allocation Plans by end of June 2006. However, only Estonia and Germany did so in time. Ireland, Lithuania, Luxembourg and Poland did so until the end of July while the majority has only started the required public consultation or not even this. One month after the deadline, the Commission initiated legal action against 18 member states who have failed to submit their NAPs.

The Commission has three months to assess the different NAPs from the date of their submission. It is expected to take well into 2007 for this process to be completed.

The system is subject to a review starting in summer 2006, but this is not likely to have impacts on the 2nd trading period. The process will take the form of a stakeholder consultation working group established under the ECCP (see separate chapter), which should inform a legislative proposal for amendments to the directive to be drafted by the COM in 2007. The issues discussed on EU ETS review are likely to include further harmonisation of the method of allocation, criteria for national allocation plans, the use of credits from project mechanisms; relation with other policies and measures, centralised registry of allowances, penalties, pooling, community-wide benchmarks and the use of project mechanisms. The Commission emphasises that the change of the EU ETS directive aims to improve the effectiveness of the instrument and that the changes practically will apply for the III phase of EU ETS – post 2012. However, the Commission

could change some minor aspects on its own without the Council/EP having to decide (comitology procedure: implementation by different Committees).

## Stakeholder Views

Conflict lines for the 2nd commitment period will be on a country-by-country basis while in most cases the main issues are likely to have been decided. It is already clear that NGOs and Commission want to see real reductions, a harmonised and more transparent allocation system by simplification and reducing number of allocation methods. NGOs like WWF want at least 10% (no more is eligible) of the allowances to be auctioned. Progressive governments tend to support these joint objectives, not necessarily the auctioning. Laggards (most Member States, because most are not about to comply with their Kyoto target sharing commitment) are against a tightening of the system.

Tough battles on National Allocation Plans (NAP) II are likely – similar to the adoptions of NAP I – in most Member States.

For the review, the range of issues open to debate is much wider, since in theory changes to the system could alter its character significantly. The Commission understands the need to sooth some complaints by MS and corporations, but would rather not make major changes to a system still in its infancy that will take to mature as it is.

NGOs want to see the principle for ever decreasing emission levels enshrined to ensure future targets are met and certainty is given to business. In addition, they want the limit on auctioning lifted and, if this cannot be made mandatory, demand allocation rules that provide incentives for efficient use of resources.

A few MS ministries and a number of companies would still rather do away with the system as a whole or make its as irrelevant as possible. A majority of them have understood it is here to stay and seek simplifications and extensions that would lower the cost of allowances.

## Potential and what should be done

The further development of the Emission Trading System will be of extreme importance for effectively reducing Greenhouse Gas emissions in Europe. If the second commitment period will bring further strong reductions, this will move forward energy (and resource) efficiency in Europe considerably.

The large share and the direct link of $CO_2$-emissions and fossil fuels of the affected sectors make it a very important issue for resource/energy efficiency – not at least given there is such a potentially effective instrument already applied.

A critical point for improving the ETS would be the introduction of a target-setting mechanism that provides more long-term guidance and underlines the need for ever tighter $CO_2$ limits. In the absence of binding targets for the EU and its MS from 2012 onwards for the moment, this is a difficult discussion and shows how the further development of domestic policies is closely tied to progress under the UN framework.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage | Specific Area NGO is working on |
|---|---|---|---|
| CAN (Climate Action Network) | Ruta Bubniene | ruta@climnet.org /+32-2 229 52 20 http://www.climnet.org/EUenergy/ET.html | EU and International climate and energy policy |
| WWF | Oliver Rapf, Senior Policy Officer Climate Change & Business, European Policy Office | orapf@wwfepo.org/+32 2 7438808/http://powerswitch.panda.org/news_publications/news_detail.cfm?uxNewsID=50500 | Nature Conservation, but also more policy oriented issues like climate change and instruments such as emissions trading. WWF launched a powerswitch-campaign. |

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All Directives:
http://ec.europa.eu/environment/climat/emission/implementation_en.htm

Directive on the greenhouse gas emission allowance trading:
http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l_275/l_27520031025en00320046.pdf

Detailed brochure:
http://ec.europa.eu/environment/climat/pdf/emission_trading2_en.pdf

Communication on guidance for NAP II:
http://ec.europa.eu/environment/climat/pdf/nap_2_guidance_en.pdf

EEA-publication on the experiences with ETS in Member States:
http://reports.eea.europa.eu/technical_report_2006_2/en/technicalreport_2_2006.pdf

Preliminary review report on the EU ETS:
http://ec.europa.eu/environment/climat/pdf/highlights_ets_en.pdf

# 7. Energy Efficiency

## 7.1. Energy Efficiency – Overview

### Description

Increasing the EU's energy efficiency is an important policy of the EU in order to secure energy supply, safe energy costs, increase competitiveness, fight climate change and create jobs. Policies which increase the EU's energy efficiency should therefore become a top priority.

So far, the EU has taken many initiatives in different policy areas (see below). Some are already implemented by Member States, but most are in the status of the process of implementation or discussion at the Council, while in some areas concrete actions are still missing. In many cases, the directives or framework programmes lack ambition and should therefore be revised.

There is not one single energy efficiency communication, initiative or directive, but the EU rather pursues an interlinked and multi-step-approach. The following provides an overview of different approaches – the most relevant are presented subsequently in detail:

### General scheme

1. Green Paper on energy efficiency
   http://www.europarl.europa.eu/oeil/file.jsp?id=5288282 and
   http://europa.eu.int/scadplus/leg/en/lvb/l27061.htm
2. Competitiveness and Innovation Framework Programme (2007-2013)
   http://www.europarl.europa.eu/oeil/file.jsp?id=5243412
3. New framework programme "Intelligent Energy for Europe" (2003-2006)
   http://www.europarl.europa.eu/oeil/file.jsp?id=221202
4. Energy efficiency: SAVE II programme (1998-2002)
   http://www.europarl.europa.eu/oeil/file.jsp?id=156342
5. Towards a strategy for the rational use of energy
   http://www.europarl.europa.eu/oeil/file.jsp?id=166732
6. Energy Efficiency Action Plan
   http://www.europarl.europa.eu/oeil/file.jsp?id=194702
7. Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy (COM 2006/105 – 08.03.2006)
   http://www.europarl.europa.eu/oeil/file.jsp?id=5341722 and

http://europa.eu.int/comm/energy/green-paper-energy/doc/2006_03_08_gp_document_en.pdf

## Energy efficiency legislation

1. Directive on energy end-use efficiency & energy services
   http://www.europarl.europa.eu/oeil/file.jsp?id=239422
2. Cogeneration directive
   http://www.europarl.europa.eu/oeil/file.jsp?id=224652
3. Energy performance of buildings directive
   http://www.europarl.europa.eu/oeil/file.jsp?id=209012
4. Framework directive for the setting of eco-design requirements for energy-using products (EuP)
   http://www.europarl.europa.eu/oeil/file.jsp?id=235362
5. Energy labelling directive
   http://europa.eu.int/scadplus/leg/en/lvb/l32004.htm

## Efficiency in energy using products

1. Eco-design for energy-using appliances
   http://www.europarl.europa.eu/oeil/file.jsp?id=235362
2. Household appliances: energy consumption labelling
   http://europa.eu.int/scadplus/leg/en/lvb/l32004.htm
3. Office appliances: Energy Star programme
   http://europa.eu.int/scadplus/leg/en/lvb/l27034.htm
4. Ballasts for fluorescent lighting
   http://www.europarl.europa.eu/oeil/file.jsp?id=181672
5. Energy efficiency for refrigerators
   http://www.europarl.europa.eu/oeil/file.jsp?id=90882
6. Energy efficiency for hot-water boilers
   http://europa.eu.int/scadplus/leg/en/lvb/l21019.htm

## Sources

Summary of EU legislation on Energy:
http://europa.eu.int/scadplus/leg/en/s14000.htm#EFFICACITÉ

Climate Action Network Europe's web-page on energy efficiency in the European Union:
http://www.climnet.org/EUenergy/energy%20efficiency.html#intro

EU-Commission's Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy (COM 2006/105 – 08.03.2006):
http://europa.eu.int/comm/energy/green-paper-energy/doc/2006_03_08_gp_document_en.pdf

## 7.2. Green Paper and Action Plan on Energy Efficiency

COM (2005)265, 22.06.2005 [GP on EE]

### Description

In the Green Paper the European Union recognises the challenges arising from the following facts:

- Energy import dependency is rising dramatically (70% in 2030 at current trends);
- Energy prices have doubled in the last 2 years and are expected to continue to rise;
- Energy demand is expected to grow without further political measures;
- The EU is struggling to fulfil its Kyoto commitments, while at the same time climate change poses a serious threat.

Reacting to these challenges, the Green Paper calls for strong efforts to increase the energy efficiency of the European Union.

The paper states, that "*the EU could save at least 20 % of its present energy consumption in a cost-effective manner, equivalent to EUR 60 billion per year, or the present combined energy consumption of Germany and Finland." It estimates that an energy efficiency initiative "could create directly and indirectly as many as a million new jobs in Europe". The Green Paper concludes that, "as the measures targeted in this initiative are only cost-effective energy-efficiency measures – ones that result in a net saving even once the necessary investment is taken into account – a successful energy-efficiency scheme means that some of the EUR 60 billion not spent on energy translates as a net saving, resulting in increased competitiveness and better living conditions for EU citizens. [...] An effective energy-efficiency policy could therefore make a major contribution to EU competitiveness and employment. [...] By addressing energy demand, this policy is part of the EU policies on energy supply. [...] In addition, energy-efficiency equipment, services and technology are becoming increasingly important worldwide. If Europe maintains its prominent position in this area, resulting in the development and introduction of new energy-efficiency technologies in Europe first, this represents an important trade opportunity*."

As the Green Paper recognises, the most important step will be to arrive at concrete actions on the EU and member state level and to create the necessary framework in which the benefits of increase energy efficiency can be harvested.

So far, activities to improve energy efficiency in the European Union include:

- Energy Labelling Directive

- Energy Performance of Buildings Directive
- Co-generation Directive
- Eco-design Directive
- Directive on Energy Services and End-Use Efficiency
- Intelligent Energy Europe
- Other measures including Renewable Energies

Most of these measures still need improved implementation or strengthening through a revision.

By the end of 2006, the European Commission is expected to present an 'Energy Efficiency Action Plan', which will propose further action.

## Timetable

The Green Paper was adopted by the Commission on 22.06.2005, following a public consultation.

The 'Energy Efficiency Action Plan' (end of 2006) shall outline the specific action to be taken at EU and national levels, accompanied by necessary cost-benefit analyses. Aim of the Action Plan is to present a set of measures, which will enable to adopt and achieve the proposed target of 20% reduction of today's energy consumption by 2020.

The European Council intends to adopt the 'Action Plan on Energy Efficiency in March 2007. Before this adoption, the European Council, together with a special Energy Council and the Environment Council are expected to draw conclusions in February 2007.

In the context of the publication of the Green Paper (GP) on Energy Efficiency (EE) and following an initiative of the Dutch Presidency, the European Commission has set up the 'European Sustainable Energy Forum', also known as the Amsterdam Forum, an arena to discuss the latest developments in renewable energy and energy efficiency issues with different stakeholders. The Forum meets twice a year (see http://www.senternovem.nl/AmsterdamForum/index.asp).

With the creation of the Forum on Fossil Fuels in Berlin, the Commission has completed the spectrum of consultation bodies bringing together the EU and stakeholders in energy markets. The other two are the Madrid Forum for natural gas and the Florence Forum for electricity.

## Stakeholder Views

Several industrial associations like EURIMA (European Association of Insulation Manufacturers) and ELC (European Lamp Companies Federation) welcome the GP on EE

and support it strongly. The latter is promoting a mix of three approaches: restricting the supply of the least energy efficient products; stimulating the demand of energy efficient products and services through improved communication and more and better targeted financial incentives; and Europe's administrations on all levels taking a lead by setting an example by applying green procurement.

NGOs like Climate Action Network Europe (CAN) strongly support the Energy Commissioner Piebalgs' decision to put energy efficiency at the top of DG TREN's agenda and stand ready to support him in this effort. They claim that the Green Paper identifies many areas ripe for a progressive policy but it fails to strongly endorse action that would deliver these benefits. The identified 20% energy saving potential by 2020 should be clearly set as a mandatory target and it should become a corner stone in a new European Energy Policy.

Environmental organisations also emphasize that a reduction of energy consumption of 40% is easily possible with current technologies and that therefore the target of 20% is not very ambitious, but worth to supporting as a first step.

WWF welcomed the Green Paper on Energy Efficiency and supports the EC in its effort to underline the central role of energy efficiency in fighting climate change. However the NGO community highlights that energy efficiency must not become a goal in itself, but it has to be a tool to achieve *energy conservation*. Therefore, to obtain substantial results, energy efficiency measures and programmes need to be coordinated and part of a broad policy framework providing the structural support for the development and diffusion of energy efficient technologies and products.
If increased energy efficiency levels are not linked to specific policies and measures aiming at steadily reducing absolute energy demand, the European Union will lose a unique opportunity to fight climate change, ensure energy security and improve economic competitiveness. For this reason it is necessary to adopt a long term mandatory energy saving target.

## Potential and what should be done

It is very positive, that the Green Paper on Energy Efficiency recognises the importance of energy efficiency for a sustainable energy policy. However, most crucial for the Commission will be to publish and support an ambitious 'Action Plan on Energy Efficiency', including a list of priority measures allowing the adoption and implementation of concrete actions.

The Amsterdam Sustainable Energy Forum offers an opportunity for NGOs to exchange views on key issues both with the EC and industry representatives, to influence the Commission in its ability to present future legislative proposals, and to provide a great potential for new alliances, especially with innovative industry.

## NGOs working on the subject

| Name of NGO | Contact | E-mail/Tel./Fax | Webpage | Specific Area NGO is working on |
|---|---|---|---|---|
| Insulation industry | Barry Lynham | barry.lynham@thecentre.eu.com<br>+32 (0) 25 48 02 71<br>+32 (0) 25 48 02 61 | www.thecentre.eucom | Insulation of buildings |
| Eurima | Horst Biedermann, Director General of Eurima, or Lena Esteves | horst.biedermann@urma.org<br>lena.esteves@eurima.org<br>+32 (0)2 626 2090<br>32 (0)2 626 2099 | www.eurima.org | Insulation |
| ELCFED | Secretary General | secretary.general@elcfed.org<br>Info@elcfed.org<br>+32 (0)2 706 86 08<br>+32 (0)2 706 86 09 | www.elcfed.org (for a specific report see below) | Efficient lighting |
| EuroAce (The European Alliance of Companies for Energy Efficiency in Buildings) | Andrew Warren | euroace@eurima.org<br>+32 2 639 10 10<br>+32 2 639 10 15 | http://www.euroace.org/ | Energy efficiency in buildings |
| ACE | Andrew Warren, Director | info@ukace.org<br>+44 (020) 7359 8000,<br>+44 (020) 7359 0863 | www.ukace.org | Energy Efficiency in Buildings |
| Climate Action Network Europe | Matthias Duwe Director | info@climnet.org<br>+32 (0) 2 229 52 20<br>+32 (0) 2 229 52 29 | http://www.climnet.org/EUenergy/CANE_GreenPaper_EE.pdf | Climate policy |
| WWF | Mariangiola Fabbri, Climate Change and Energy Policy Unit WWF European Policy Office | Mfabbri@wwfepo.org<br>+32 2 7400934 | http://www.climnet.org/EUenergy/Briefing_WWF_Green%20PaperEE.pdf<br>www.panda.org/epo | Climate policy, energy conservation |

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http://europa.eu.int/comm/energy_transport/en/lpi_lv_en1.html

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http://ec.europa.eu/energy/efficiency/doc/2006_693_sec_document_en.pdf

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Other forums: Forum on Fossil Fuels in Berlin, 19th-20th October 2005:
http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1301&format=HTML&aged=0&language=EN&guiLanguage=en

http://europa.eu.int/comm/energy/oil/berlin/index_en.htm

ECOFYS report for Eurima on energy saving potentials in the building sector: www.eurima.org

The ELC Road-Map for Deploying Energy Efficient Lighting Technology across Europe:
http://www.elcfed.org/documents/01ELC_A5report_6_05.pdf

http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&an_doc=2003&nu_doc=739 or as word-file:
http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2003/com2003_0739en01.doc

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European Council for an Energy Efficient Economy, *Proceedings* 2005 Summer study: Energy savings, What works and who delivers?, www.eceee.org

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http://www.climnet.org/EUenergy/CANE_GreenPaper_EE.pdf

WWF's contribution to the Green Paper on Energy Efficiency - WWF EPO, December 2005:
http://www.climnet.org/EUenergy/Briefing_WWF_Green%20PaperEE.pdf

WWF's report (written by the Wuppertal Institute): "Target 2020: Policies and Measures to reduce Greenhouse gas emissions in the EU":
http://assets.panda.org/downloads/target_2020_low_res.pdf

## 7.3. Energy End-Use Efficiency and Energy Services

Directive of the European Parliament and of the Council on energy end-use efficiency and energy services, COM (2003) 739, 10.12.2003 and inter-institutional agreement: COM (2006) 53, 07.02.2006, entered into force on 17.05.2006.

### Description

The Green Paper on security of energy supply highlighted that, if no action is taken, the European Union's dependence on external energy sources will increase from 50% to 70% by 2030 according to current estimates. At the same time, the EU is expected to fail the Kyoto goal, which demands to reduce the greenhouse gas emissions by 8 % below 1990 levels by 2008-2012. Since the energy sector is responsible for a large portion of the Communities greenhouse gas emissions, efforts must now focus on improving energy end-use efficiency and controlling energy demand.

The purpose of the proposal is to use energy more efficiently:

- by establishing targets, incentives and the institutional, financial and legal frameworks needed to eliminate market barriers and imperfections which prevent efficient end use of energy;
- by developing a market for energy services and for providing energy-saving programmes and other measures aimed at improving end-use energy efficiency.

The proposal applies to the distribution and retail sale of energy to end customers and targets the retail sale, supply and distribution of extensive grid-based energy carriers, such as electricity and natural gas as well as other types of energy such as district heating, heating oil, coal and lignite, forestry and agricultural energy products and transport fuels.

### General Targets for Saving Energy

Member States must adopt and reach an annual target for saving energy of 1% of the quantity of energy supplied and/or sold to end customers.

The 1% target in the directive on energy end-use efficiency and energy services is however only indicative, not obligatory as strongly recommended by NGOs and some industry associations (i.e. ELC, CECED, Eurima). In the next 9 years (2006-2014) energy consumption shall be reduced in all sectors (electricity, heat, transport) by 9 % (the European Parliament had initially asked for 11.5 %, because the 1% target only requires business-as-usual actions, although the existing cost effective reduction potential is much higher).

Member States have to appoint new or existing independent public sector authorities or agencies to ensure overall monitoring of the process set up to achieve these targets.

## Public Sector Purchasing Policy

Member States have to adopt and ensure the achievement of an indicative target for annual energy savings in the public sector through the procurement of energy services, energy programmes and other measures aimed at improving energy efficiency. The public sector's target is set at annual savings of at least 1.5% of energy distributed and/or sold.

To reach this target, Member States shall:

1. remove existing market barriers and imperfections that impede the efficient end use of energy;
2. create the conditions for the development and promotion of a market for energy services and for the delivery of other energy efficiency improvement measures to final consumers;
3. enable providers of energy efficiency improvement measures, energy distributors, distribution system operators and retail energy sales companies to compete equally on the energy market.

The following requirements may be imposed in this context:

- the use of financial instruments for energy savings, such as third-party financing contracts and energy performance contracts;
- the purchasing of equipment and vehicles which perform well in terms of energy efficiency;
- the purchasing of low-energy products.

## Promotion of Energy End-Use Efficiency and Energy Services

Member States have to remove barriers to the demand for energy services. In particular, they shall:

1. ensure that energy distributors, distribution system operators and/or retail energy sales companies support energy saving measures on all levels and refrain from any activities that might impede the demand for and delivery of energy services and other energy efficiency improvement measures; ensure that these companies

do not hinder the development of markets for energy services and other energy efficiency improvement measures;

2. ensure that environmental agreements and/or other market-oriented schemes exist or are set up;
3. ensure that there are sufficient incentives, equal competition and level playing fields for market actors other than energy distributors, distribution system operators and retail energy sales companies. These other actors include ESCOs, installers, energy advisors and energy consultants, who should independently offer and implement the energy services, energy audits and energy efficiency improvement measures.

## Timetable

The directive was proposed by the EC in December 2003. After a long negotiation period between the European Parliament and the Council, the directive was adopted in December 2005 and entered into force in May 2006. It has to be transposed into national legislation at the latest by May 2008.

To be able to achieve progress in the European Union, member states shall submit to the Commission an Energy Efficiency Action Plan (EEAP), the first one not later than 30 June 2007. The EEAPs shall describe the energy efficiency improvement measures planned to reach the targets. On the basis of the EEAPs, the Commission shall assess the extent to which Member States have made progress towards achieving their national indicative energy savings targets. No later than May 2008, the Commission shall publish a cost/benefit impact assessment examining the linkages between EU standards, regulations, policies and measures on end-use energy efficiency.

## Stakeholder Views

Several NGOs together with several company associations (see "Sources" at the end of this chapter) demanded an ambitious Energy Services Directive that could have captured the vast potential of energy efficiency. Due to the lamentable weak text that has been adopted instead, a strict implementation of the Directive is now a key element in order to reduce final energy demand and to promote energy-efficient technologies.

According to WWF, the directive could still bring large net benefits. If adequately improved and implemented, it could show a net economic gain for the EU economy of at least 10 billion € per year. Full implementation would also mean a 230 Million t $CO_2$–equiv. reduction in ten years which corresponds to an annual saving of about 1%. This measure alone would contribute to more than half of the Kyoto target.

Nevertheless, given the large energy saving potentials, particularly in most new EU Member States, the yearly target should be increased to 2% and for the public sector to 2.5%. The new EU Member States, where even higher efficiency gains are possible, should voluntarily commit themselves to a more ambitious target. Furthermore the targets should be absolute without any exemptions.

## Potential and what should be done

According to the above mentioned potential assessment of WWF, an improved 'Energy end-use efficiency and energy services' Directive could bring considerable additional savings of energy consumption in the EU.

Member States should include mandatory measurable energy saving targets in their action plans with the aim of substantially transforming the energy market. Financial incentives such as rebates have proven track records of promoting the acquisition of new, energy efficient products.

It cannot be expected that national governments pay the entire costs for achieving energy savings targets, but have to be supplemented by private efforts. Innovative solutions are already available, such as those provided by energy services companies (ESCOs). ESCOs can provide the financing and facilities upgrades necessary to achieving energy efficiency improvements without any up-front capital investment through Energy Saving Performance Contracting (ESPC). This system is particularly valid for improving energy performance of buildings, which is one of the areas with the highest energy savings potential. Member States should therefore strongly enable and promote energy service companies.

Member states must recognise the vanguard role authorities have to play, as public procurement of goods and services account for 16% of EU GDP. Through targeted acquisition, authorities can provide an initial market for new, energy-efficient products and services, actively contributing to reduce energy demand and motivating producers to continue developing even more efficient and better performing products. It is therefore comprehensible that the public sector should meet higher targets than the economy as a whole.

## NGOs working on the subject

| Name of NGO | Contact | E-mail/Tel./Fax | Additional Information |
|---|---|---|---|
| WWF | Mariangiola Fabbri | | http://www.panda.org/about_wwf/what_we_do/climate_change/publications/position_papers/index.cfm?uNewsID=17290<br>http://assets.panda.org/downloads/energybriefingsept2004.pdf |
| Joint Statement of NGOs and company associations | Matthias Duwe (CAN Europe) +32 2 229 52 22<br>Alexandre Dias (EuroACE) +32 2 626 20 92<br>Pascal Leroy (CECED) +32 2 706 82 94<br>Dick Dolmans (ES-SO) + 32 475 27 47 42<br>Julio Lambing (e-5) +49 61 01 80 24 10<br>Jan Kowalzig (Friends of the Earth) +32 2 542 61 02<br>Dörte Fouquet (EREF) +32 2 672 43 67<br>Mariangiola Fabbri (WWF) +32 2 740 09 34<br>Horst Biedermann (Eurima) +32 2 626 20 90 | | http://www.foeeurope.org/climate/download/Joint_statement_Energy_services_Directive_Final.pdf |

## Sources

Procedure including all files: http://www.europarl.europa.eu/oeil/file.jsp?id=239422

COM-proposal COM(2003) 739, 10.12.2003: http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2003/com2003_0739en01.pdf or http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&an_doc=2003&nu_doc=739

Directive 2006/32/EC of the European Parliament and of the Council of 5 April 2006 on energy end-use efficiency and energy services and repealing Council Directive 93/76/EEC http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32006L0032:EN:NOT (entered into force 17.05.2006).

Green Paper of 29 November 2000 "Towards a European strategy for the security of energy supply" (COM(2000) 769): http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&an_doc=2000&nu_doc=769

Procedure/Timetable: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32006L0032:EN:NOT

UNICE's position paper: http://www.unice.org/2/KKCJBEGCJLEBJJPAGMCGNOCOPDB19DBGT39LI71KM/UNICE/docs/DLS/2005-00977-EN.pdf

Joint Statement from WWF, Greenpeace, Friends of the Earth and CAN-Europe to MEPs for first reading of directive of the 'energy end-use efficiency and energy services' directive, June 2005 http://www.climnet.org/EUenergy/Joint_statement_end_use_efficiency_0605.pdf

WWF position paper: http://www.panda.org/about_wwf/what_we_do/climate_change/publications/position_papers/index.cfm?uNewsID=17290

http://assets.panda.org/downloads/energybriefingsept2004.pdf

Tap into the vast potential! An open letter from industry and environmental NGOs on the need to promote energy efficiency and strengthen the Energy Services Directive
http://www.foeeurope.org/climate/download/Joint_statement_Energy_services_Directive_Final.pdf

*This joint statement is subscribed by the following company associations (described here as an example of the growing number of industry associations, which are active on energy efficiency and environmental issues:*

CECED's (European Committee of Manufacturers of Domestic Equipment) member companies employ over 200,000 people, are mainly based in Europe, and have a turnover of about 40 billion Euro. If upstream and downstream business are taken together, the sector employs over 500,000 people. Direct Members are Arçelik, BSH Bosch und Siemens Hausgeräte, Candy Elettrodomestici, De'Longhi, Electrolux Holdings, Fagor, Gorenje, Liebherr Hausgeräte, Indesit Company, Miele, Philips, Groupe SEB and Whirlpool Europe.

e5 - Climate is Business. The European Business Council for Sustainable Energy (e5), representing the climate protection related business interests of 120 companies and organisations, promotes a strong sustainable energy agenda and an effective, business-oriented climate change programme. Members include major multinational corporations such as Deutsche Telekom (Germany), Deutsche Bahn (Germany), Vodafone Pilotentwicklung and SONY International (Europe). Government-prone institutions such as Gesellschaft fuer Technische Zusammenarbeit (GTZ) are also e5 member, as well as a range of small and medium enterprises (SMEs). e5 is an umbrella organisation that represents prominent associations such as the European Photovoltaic Industry Association (EPIA), the Community of European Railways (CER), the International Public Transport Union (UITP), the World Fuel Cell Council and the European Climate Forum.

The European Renewable Energies Federation (EREF) is an association of independent renewable power producers from Europe in the field of wind, solar, biomass, small hydro energy and biofuels.

EURIMA is the European Association of Insulation Manufacturers and represents the interests of all major mineral wool producers throughout Europe. EURIMA members are Armstrong, FlumRoc, Glava Isolation, Heraklith, Isover, Izocam, Izotoprak, Knauf Insulation, Ow, Paroc, Rockwool, Sager, Schwenk, Saint-Gabain Insultation, Termo, and URSA. They manufacture a wide range of mineral wool products for the thermal and acoustic insulation and fire protection of domestic and commercial buildings and industrial facilities. EURIMA was established in 1959 to promote improved standards and regulations for the use of insulation materials. More recently, it has developed to reflect the growing environmental concerns of society.

EuroACE, the European Alliance of Companies for Energy Efficiency in Buildings, was formed in 1998 by twenty of Europe's leading companies involved with the manufacture, distribution and installation of a variety of energy saving goods and services. EuroACE member companies, which include Armacell International, Honeywell, and URSA, together employ 438,000 people and have a turnover of 70 billion Euros.

European Solar Shading Organization (ES-SO) is a newly created association bringing together 12 national associations with the single objective of demonstrating the energy savings that can be achieved through smart shading, as an alternative to expensive artificial cooling.

## 7.4. Energy Consumption Labelling for Household Appliances

### Description

The 1992 Council Directive 92/75/EEC regulates the "indication by labelling and standard product information of the consumption of energy and other resources by household appliances".

The aim of the directive is to inform consumers about the consumption of energy and of other essential resources of household appliances available to the consumer, thereby allowing consumers to choose appliances on the basis of their energy efficiency. It obliges suppliers to provide this information in an adequate form.

The directive covers refrigerators, freezers and their combinations, washing machines, dryers and their combinations, dishwashers, ovens, water heaters and hot-water storage appliances, lighting sources and air-conditioning appliances.

In the last years several directives were passed to implement the 1992 directive, among them directives are covering the energy labelling of refrigerators, freezers, washing-machines etc. These directives led to the – now well known – A-E labelling schemes. Some of them were later on amended, allowing, for example, for A+ and A++ labelling – thus taking into consideration the technological progress made since the directive came into force (for details see. http://europa.eu/scadplus/leg/en/lvb/l32004.htm).

### Stakeholder Views

Energy labelling of household appliances is generally regarded as a successful tool to promote energy efficient household appliances. The introduction of A-E labels for refrigerators, for example, has led to a drastic increase of the market shares of more efficient refrigerators. In order to be successful it was essential to introduce a simple, easy understandable label.

NGOs however point out that some of the labels are outdated and that a stringent and easy understandable labelling system should be extended to other products. The recent introduction of new categories like A+ and A++ should have been avoided by redefining and strengthening the criteria for A-E.

## Potential and what should be done

Informing the consumer in a simple and easy understandable way can have substantial effects on people's purchasing decision and therefore result in considerable increases of energy and resource efficiency.

The current directives on energy efficiency labelling (as well as labelling on the use of other resources, such as water) should be reviewed, revised, improved and extended to other products, to reach its full potential. Special attention should be given to a dynamic approach offering incentives for further development of energy efficient devices, based on the "top runner" approach.

## Sources

Household appliances: energy consumption labelling (overview):
http://europa.eu/scadplus/leg/en/lvb/l32004.htm

## 7.5. Co-generation

Co-generation is a technique allowing the production of heat and electricity in a single process. The heat appears in terms of high pressure water vapour or hot water. An electricity/heat co-generation plant normally operates by means of gas turbines or engines. However, renewable energy sources and waste can also be used. By using excess heat (e.g. for household heating) co-generation installations can achieve energy efficiency levels of around 90%. In normal power plants, excess heat is normally wasted, therefore leading to much lower efficiency levels. In addition, co-generation reduces losses on the electrical grid because co-generation installations are usually closer to the point of consumption.

The directive "on the promotion of co-generation based on a useful heat demand in the internal energy market" (2004/8/EC) represents the single most important piece of European legislation for the co-generation sector. The directive has to be implemented since February 2006 and aims at "creating a framework for promotion and development of high efficiency cogeneration".

The objective of the directive is to establish a transparent common framework in order to promote and facilitate the installation of co-generation plants where demand for useful heat exists or is anticipated. This overall objective translates into two specific aims:

When implemented, the directive seeks to overcome the following obstacles for co-generation:

- inadequate control of longstanding monopolies;
- inadequate support from regional and local authorities;
- incomplete liberalisation;
- regulatory obstacles having a negative effect;
- missing European standards for network connection.

There are already examples of regulatory developments in some Member States, such as Belgium (green certificates and co-generation quotas), Spain (new decree on the sale of co-generation electricity) or Germany (new law on co-generation).

The Commission must establish harmonised efficiency reference values by 21 February 2006 for separate production of electricity and heat. The Commission will review the harmonised values for the first time on 21 February 2011, and every four years thereafter, to take account of technological developments and changes in the distribution of energy sources.

Member States must ensure, on the basis of the harmonised efficiency reference values and within six months of their adoption that the origin of electricity produced from high-

efficiency co-generation can be guaranteed according to objective, transparent and non-discriminatory criteria laid down by each Member State.

Member States must also ensure that the guarantee of origin of the electricity enables producers to demonstrate that the electricity they sell is produced from high efficiency co-generation.

Member States must analyse the national potential for the application of high-efficiency co-generation. Following a request by the Commission at least six months before the due date, Member States must evaluate progress towards increasing the share of high-efficiency co-generation for the first time by 21 February 2007 and thereafter every four years.

## Stakeholder Views

There is little debate on the fact that co-generation is a useful technology to increase energy efficiency.

The European Association for the Promotion of Co-generation (Cogen) demands that Member States should focus on the following main areas in order to fully exploit the potential of the co-generation sector to contribute to overall energy efficiency:

"*The rigorous implementation of the Co-generation Directive clearly is the central task for the Member States. They should establish national co-generation action plans which include targets, timetables and strategies to overcome barriers to achieving the individual national potentials. The promotion of co-generation needs to be mainstreamed in all related policy areas. The public authorities should give the lead by consequently making use of the energy savings potential co-generation has to offer. In order to give an unambiguous signal to the cogeneration sector, the European Institutions need to make explicit that they are committed to reach the 18% target. For the increased use of co-generation, cost-effective support mechanisms need to be in place. When revising the Community guidelines on State aid for environmental protection, the European Commission must allow to the Member States to make full use of financial tools such as tax reductions, investment subsidies and other support mechanisms. Furthermore, the European Commission should carefully observe during the next two years the effectiveness of national support mechanisms and their potential to raise the share of co-generation close to the individual national potentials.*"

## Potential and what should be done

Co-generation is a technology with a very high potential for increasing energy efficiency due to a more efficient use of the primary energy (up to 90%) as well as reduced losses on the electrical grid, due to its decentralised nature.

Therefore, the co-generation Directive as well as the removal of existing obstacles for the introduction of co-generation (through new European or national initiatives) must now be implemented rigorously.

## NGOs working on the subject

| Name of NGO | E-mail/Tel./Fax | Additional Information |
|---|---|---|
| European Association for the Promotion of Cogeneration (Cogen Europe) | T+32 2 772 82 90 • info@cogen.org • www.cogen.org | Cogen Europe is the European Trade Association for the Promotion of cogeneration. Its principal goal is to work towards the wider use of cogeneration in Europe for a sustainable energy future. |

## Sources

Directive 2004/8/EC on the promotion of cogeneration based on a useful heat demand in the internal energy market
http://europa.eu.int/eur-lex/pri/en/oj/dat/2004/l_052/l_05220040221en00500060.pdf#search=%222004%2F8%2FEC%20cogeneration%22

## 7.6. Buildings Directive

Directive 2002/91/EC of 16.12.2002 on the energy performance of buildings [OJ L 001, 4.1.2003]

### Description

The aim of the Buildings Directive is to create a common framework to promote the improvement of the energy performance of buildings.

Buildings are responsible for more than 40% of the energy consumption in Europe. If one includes the energy use during the construction of buildings the figure approaches almost 50%. The current Action Plan COM 2000/247 states that realising the cost-effective potential of energy use in buildings (22% at 2000 prices) would save 10% of the overall energy use in Europe.

It is estimated that, if properly implemented, the Buildings Directive can deliver 45 million tonnes of CO2 reductions by 2010. According to the European Commission, an effective legal framework for the buildings sector could even lead to annual energy savings of 70 million tonnes.

With initiatives in this area, significant energy savings can be achieved, thus helping to attain objectives on climate change and security of supply. Community-level measures must be framed in order to deal with such cross-national challenges.

The Buildings Directive has three main requirements:

1. the production of energy performance certificates for buildings;
2. the application of minimum energy standards to all new buildings and to those over 1,000 square metres undergoing major renovation; and
3. the regular inspection of boilers and air conditioning systems.

Beginning of 2006, the deadline for implementing the Energy Performance of Buildings Directive was reached, three years after it was adopted by the European Parliament and the Council. However, many member states have not yet implemented the directive.

### Timetable

The Directive concerns the residential sector and the tertiary sector (offices, public buildings, etc.). The scope of the provisions on certification does not, however, include buildings, such as historical buildings, industrial sites, etc. It covers all aspects of energy efficiency in buildings in an attempt to establish a truly integrated approach.

The Directive does not lay down measures on equipment such as household appliances. Measures on labelling and mandatory minimum efficiency requirements have already been implemented or are envisaged in the Action Plan for Energy Efficiency.

The four main aspects of the proposed general framework are:

- a common methodology for calculating the integrated energy performance of buildings;
- minimum standards on the energy performance of new buildings and existing buildings that are subject to major renovation;
- systems for the energy certification of new and existing buildings and, for public buildings, prominent display of this certification and other relevant information. Certificates must be less than five years old;
- regular inspection of boilers and central air-conditioning systems in buildings and in addition an assessment of heating installations in which the boilers are more than 15 years old.

The common calculation methodology should include all aspects which determine energy efficiency and not just the quality of the building's insulation. This integrated approach should consider aspects such as heating and cooling installations, lighting installations, the position and orientation of the building, heat recovery, etc.

The minimum standards for buildings are calculated on the basis of the above mentioned methodology. The Member States are responsible for setting the minimum standards.

Energy performance certificates should be made available when buildings are constructed, sold or rented out. The proposal specifically mentions rented buildings with the aim of ensuring that the owner, who is normally not charged for energy expenditure, should take the necessary action.

Furthermore, the directive states that occupants of buildings should be enabled to regulate their own consumption of heat and hot water, in so far as such measures are cost effective.

## Implementation

The Member States are responsible for drawing up the minimum standards. They must ensure that the certification and inspection of buildings are carried out by qualified and independent experts. The method of calculation overall energy efficiency is left up to Member States.

The Commission, with the assistance of a committee, is responsible for adapting the annex to technical progress. The annex contains the framework for the calculation of

energy performances of buildings and the requirements for the inspection of boilers and of central air conditioning systems.

## Timetable

Although the final date for implementation was the 4.1.2006, a large number of Member States has not yet implemented the directive. The European Commission has now started legal procedures for non-compliance against 22 Member States. The Commission also emphasises its intention to make sure that, when enacted in national law, those laws will be enforced.

## Stakeholder Views

In the light of the EU-wide prioritisation of energy efficiency, seven European industry associations, dealing with energy efficiency (EuroACE, EREC, ELC, e5, COGEN Europe, CECED, CEETB), lately emphasised that the potentials of the Buildings Directive should be exploited to the extent possible.

In particular, they call for:

- full and rapid implementation of the Directive by *all* Member States; and
- an early revision of the Directive to achieve even greater energy savings and reductions of $CO_2$ emissions.

### *Full and Rapid Implementation*

The industry associations point out and deplore the fact that most Member States have failed to implement the Buildings Directive on time, and that practically all of them are asking for extra time to transpose key parts of the Directive. They call on Member States – and, where relevant, their regions – to implement the Buildings Directive without delay. From the European Commission the associations demand that it fulfils its role as guardian of the Treaties by taking a tough stance with Member States that seek to delay implementation: Member States should be asked to explain the grounds for proposed delay - reporting which measures have already been undertaken and why these have been insufficient. Member States should also outline a programme of additional measures. Moreover, the European Commission should not hesitate to commence infringement proceedings against Member States whose grounds for delay it considers unjustified.

*Revision and Extension of the Directive*

The second demand of the industry associations is that the Buildings Directive should be extended at an early date, in particular in three areas:

1. Inclusion of existing buildings below 1,000 square metres:
   This extension highlights that the Buildings Directive excludes the majority of European buildings from two key measures: (α) the application of minimum energy standards at the time of renovation; and (β) feasibility studies for efficient, localised energy supply. The Directive therefore should be extended to *all* buildings in order to realise the full potential of energy savings and renewables in the buildings sector.
   The industry associations point out that there are massive energy savings and environmental gains at stake – extending the Directive to cover all residential buildings would achieve an extra 45 million tonnes of $CO_2$ savings every year. There is also huge job-creation potential: it is estimated that a further 530,000 jobs would be created across the European Union as a whole.
2. Extension of inspection requirements:
   Regarding the requirement to carry out regular inspections, the Buildings Directive likewise limits its scope to air conditioning systems and boilers above a certain size, thus covering only one-fifth of such appliances installed in the EU. This means a missed opportunity to promote efficient and sustainable energy applications such as high efficiency appliances, co-generation and renewable energy production in buildings. There is therefore a clear need for a debate on the inclusion of smaller boilers, air-conditioning systems and other fixed appliances such as lighting installations. Member States should speed up training and education programmes for experts in this field in order to be prepared for this task.
3. Public buildings:
   The public sector holds a strong potential to give a lead on sustainable energy solutions, as a staggering 16% of the European Union's GDP is spent on public sector procurement. Reducing energy consumption can only be achieved by changing behaviour. Public authorities should visibly practice what they preach in order to convince citizens of the necessity and practicability of investment in energy saving measures. The industry associations therefore believe that all public buildings – whatever their size - should display their energy certificates, and minimum energy standards should be set at a higher level than for private buildings. Moreover, the definition of "public building" should be clarified to include *all* buildings visited by the public, not just those that are publicly owned – e.g. theatres, supermarkets, banks, sports facilities, etc.

Environmental NGOs strongly support the demand for a full and rapid implementation of the Directive by *all* Member States and a revision and strengthening of the Directive. NGOs also demand a buildings-based energy pass instead of an easy to influence consumption-based energy pass to allow for objectivity.

Member States and other actors call for a strengthened role of energy services companies, which can provide the financing and facilities upgrades necessary to achieve energy efficiency improvements without any up-front capital investment by using Energy Saving Performance Contracting (ESPC).

## Potential and what should be done

Given that buildings are responsible for a substantial part of energy consumption, the Buildings Directive's potential for increasing the EU's energy and resource efficiency is large. In addition, one must recognise that structures, once build up, are hard to influence. Hence, any change that can now be implemented is of long-term impact. In addition, changes in the buildings sector are taking place only over a long-term period, as investment cycles are long.

Given the fact that many Member States have not yet fully implemented the Directive, fast and ambitious implementation is now necessary. Furthermore, a revision of the directive with the aim to make it more ambitious and include all buildings must take place.

## (Environmental) NGOs already working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage |
|---|---|---|
| Insulation industry | Barry Lynham | barry.lynham@thecentre.eu.com<br>+32 (0) 25 48 02 71<br>+32 (0) 25 48 02 61<br>www.thecentre.eucom |
| Eurima | Horst Biedermann, Director General of Eurima, or Lena Esteves | horst.biedermann@urma.org<br>lena.esteves@eurima.org<br>+32 (0)2 626 2090<br>32 (0)2 626 2099<br>www.eurima.org |
| EuroAce (The European Alliance of Companies for Energy Efficiency in Buildings) | Andrew Warren | euroace@eurima.org<br>+32 2 639 10 10<br>+32 2 639 10 15<br>http://www.euroace.org/ |
| For further NGO-contacts see chapter: 'Energy end-use efficiency and energy services' | | |

## Sources

Overview:
http://europa.eu.int/scadplus/leg/en/lvb/l27042.htm,

Directive:
http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=Directive&an_doc=2002&nu_doc=91 or

http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=CELEX:32002L0091:EN:HTML

Joint Statement from several NGOs including several company associations:
http://www.foeeurope.org/climate/download/Joint_statement_Energy_services_Directive_Final.pdf

Time to move forward: A joint industry statement on the future of the Energy Performance of Buildings Directive (January 2006):
http://www.euroace.org/EuroACE%20documents/060113%20EPBD%20Industry%20Joint%20Statement%20final.pdf#search=%22buildings%20directive%22

For further sources on the joint statement of NGOs and company associations, see sources in the chapter: 'Energy end-use efficiency and energy services'.

# 8. Renewable Energy

## 8.1. Overview

In a resource and energy efficient economy, renewable sources of energy are the only truly sustainable solution to supply Europe's remaining energy needs. These indigenous sources of energy protect the climate and entail hardly any hidden external costs.

Today, renewable energy sources account for about 6% of the EU's primary energy consumption. The Commission's *White Paper: Energy for the future: Renewable Sources of Energy* from November 1997 defined the indicative target to achieve a share of 12% renewable energy sources in the EU's total energy consumption by 2010.

Against this background, EU legislation with targets for electricity and transport has been developed. For the heating and cooling sector, no co-ordinated European approach has been designed yet.

In its March 2006 Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy', the European Commission announced a roadmap for a coordinated approach to supporting renewable energy in the EU, including:

- an active programme with specific measures to ensure that existing targets are met;
- consideration of which targets or objectives beyond 2010 are necessary, and the nature of such targets, in order to provide long term certainty for industry and investors, as well as the active programmes and measures needed to make this a reality. Any such targets could be complemented by extended operational targets on electricity, fuels and possibly heating;
- a new Community Directive on heating and cooling, complementing the Community;
- energy saving framework;
- a detailed short, medium and long term plan to stabilise and gradually reduce the EU's reduction of the dependence on imported oil. This should build on the existing Biomass Action Plan and the Strategy for Biofuels;
- Research, demonstration and market replication initiatives to bring clean and renewable energy sources closer to markets.

## Stakeholder Views

Environmental NGOs and the renewable energy industry are calling for strong renewable energy targets to demonstrate the EU's long-term commitment for renewable energy, and to increase investment security. For the share of renewable energy source from total energy consumption in 2020, the Climate Action Network, Greenpeace, WWF and Friends of the Earth Europe demand a target of 25% by 2020.

The development of long-term targets for renewable energies beyond 2010 has also been identified as an issue for consideration by EU institutions over the past two years. The European Parliament demanded a renewable energy target of 20% from primary energy for 2020 in 2004, and confirmed this demand in September 2005, acknowledging that a 25% share is achievable with adequate efficiency measures.

The EU Summit asked the Commission after the publication of the Green Paper in March 2006, to consider a primary energy target of "for example 15% by 2015".

## Potential and what should be done

By 2050, already half of the EU's total energy needs could be met with renewable energy sources, as has been shown in the Greenpeace energy revolution scenario. As non-exhaustive resources, renewables would replace the use of coal, oil, gas and uranium in the energy sector. Coupled with strong efficiency measures, renewables would thus reduce carbon dioxide emissions from the energy sector by 70%.

What is more, renewable energy systems are characterised mainly by geographically distributed generation, where electricity is converted in small, modular units close to the point of consumption. This does not only reduce the transmission and distribution losses, but allows also for the efficient use of combined heat and power generation (thus making a major contribution to energy efficiency). Small and modular installations provide customers with continuity and reliability of supply and can be implemented in a short time. The distributed nature of energy generation has the potential to trigger a sense of public ownership and bring about cultural changes in our attitude to using energy.

To meet this potential for renewable energy, EU leaders must adopt ambitious and legally binding targets for renewable energy use in electricity, heating/cooling and potentially transport.

With a growing share of renewable energy technologies, the structure of the European energy market has to be adapted to suit to an efficient renewable energy system. The system of interconnecting numerous small-scale generation units to their distribution networks has to be further developed and the infrastructure must be set up for district heating systems and the transmission of power from offshore wind farms. At last, an integrated load management should be introduced in European energy markets, where

tariffs distinguish between periods of peak and off-peak so that the demand matches the power available.

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http://assets.panda.org/downloads/target_2020_low_res.pdf

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European Renewable Energy Council (EREC)
http://erec-renewables.org

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## 8.2. EU Renewables Electricity Directive

Directive 2001/77/EC, 27th September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity Market (OJ, 27th October 2001, L 283/33)

### Description

The purpose of this Directive is to promote an increase in the contribution of renewable energy sources to electricity production in the internal market for electricity. Member States have to set national indicative targets for the future share of renewables from total electricity consumption and take appropriate steps to encourage greater use of renewable sources of energy in conformity with these targets.

### Timetable

Since several years, Member States must adopt and publish a report setting national indicative targets for future consumption of electricity from renewable energy sources in terms of a percentage of electricity consumption for the next 10 years, taking into consideration the EU targets of 12% renewable energy sources in total energy use and a 21%-share of renewables in electricity consumption by 2010.

For the definition of subsequent targets that is due in October 2007, new European benchmarks are expected to be defined in the Commission's renewable energy roadmap expected end of 2006.

In accordance with the directive, the Commission had to present a report on experience gained with the application and coexistence of the different mechanisms, assessing the success, including cost-effectiveness, of the support systems and the need for a harmonised Community framework for the support of electricity produced from renewable energy sources. The Commission has done so in its Communication of 7 December 2005. Therein, the feed-in tariff approach is identified as in most cases the most effective and cost-efficient one to promote renewables in the electricity sector. An early harmonisation of support schemes is recommended, but with the view to reconsider the issue in a Communication in December 2007.

### Stakeholder views

NGOs and the European renewable energy associations consider the directive an essential instrument to encourage the development of renewable energy technologies in the electricity sector. To improve the effectiveness of the directive, they are demanding legally

binding national targets for 2020. Greenpeace has specified that these targets should add up to 35% for the share of renewable electricity in the EU by 2020.

The European Renewable Energy Council (EREC) with its member organisations as well as Greenpeace have supported the Commission conclusion in 2005, that a harmonisation of support schemes would not support the development of electricity from renewable sources of energy at this point. Instead, market stability and investment security should be guaranteed in the short and medium term and the national support instruments should be improved where necessary. In that regard, Greenpeace and the European Renewable Energies Federation (EREF) emphasize, that feed-in systems, where a certain price is guaranteed for electricity from renewable sources of energy and this electricity has priority access to the grid, have proved to be the most effective and efficient support instrument for renewable power.

## Potential and what should be done

Renewable energy sources are abundant and clean, and they have the potential to replace the dirty and dangerous use of exhaustive fossil and nuclear energy resources.

The successful growth of power from renewable sources of energy in countries like Denmark, Germany and Spain demonstrates that electricity from renewable energy sources is available and can deliver today. Greenpeace assumes renewable energy sources have the potential to increase their share in an efficiently organised power market to more than 70% by 2050.

To enable such a growth of renewable energy use in the electricity sector all over Europe, the directive has to be reformed to introduce an ambitious target for 2020 that is broken down into legally binding national targets. At the same time, grid access for power from renewable sources must be granted at fair prices and, where necessary, Member States will have to improve national support schemes for electricity from renewable energy sources.

To guarantee stability and investment security in renewable power sector, a harmonisation of support schemes on European level should not be envisaged in the medium-term.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage | Specific Area NGO is working on |
|---|---|---|---|
| EREF (European Renewable Energies Federation) | Dr. Dörte Fouquet, Director | fouquet@kuhbier.com<br>Tel.: +32 - 2 - 67 24 367 | Renewable energy (partly energy efficiency) |
| Climate Action Network (CAN) – Europe | | http://www.climnet.org/ | All climate related issues. |
| Greenpeace European Unit | Frauke Thies | Frauke.thies@diala.greenpeace.org<br>Tel: +32 2 274 1912 | specific issue area: renewable energy |

## Sources

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http://www.erec-renewables.org/documents/RES-E/EREC_RES-E_def.pdf

Renewable Energy in the EU – CAN-Europe webpage:
http://www.climnet.org/EUenergy/renewables.html

## 8.3. European Directive on Renewable Energy for Heating and Cooling

### Description and Timetable

The proposal for a possible directive on renewable energy for heating and cooling is currently being drafted in the Commission. It will most likely not prescribe a European-wide support instrument for renewable sources of energy, but might contain reporting requirements and targets. The proposal is expected to be launched as a part of the European Commission's strategic energy review at the end of 2006 or beginning of 2007.

### Stakeholder Views

A Directive for the promotion of the use of renewable energy sources in the heating/cooling sector including specific targets has long been demanded by the European Renewable Energy Council EREC, as well as 38 industry associations and NGOs to tap in the huge unused renewable energy potential in this sector.

### Potential and what should be done

More than half of the European heating demand could be covered with renewable energy sources by 2050, according to the Greenpeace energy revolution scenario. To meet this potential, ambitious legally binding targets have to be introduced in the directive to ensure that effective support for renewables in heating/cooling is introduced in all Member States. A comprehensive monitoring system has to be implemented to enable the measuring of renewable energy sources in the sector.

To achieve a high share of geothermal and solar thermal energy for heat supply and for combined heat and power use, efficient district heating networks must be installed widely. Making available the EU structural funds for this infrastructure investment should be taken into consideration.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage | Specific Area NGO is working on |
|---|---|---|---|
| Greenpeace European Unit | Frauke Thies | Frauke.thies@diala.greenpeace.org<br>Tel: +32 2 274 1912 | specific issue area: renewable energy |
| European Renewable Energy Council (EREC) | | /www.erec-renewables.org | renewable energy issues |
| European Solar Thermal Industry Federation (ESTIF) | | www.estif.org | |
| Climate Action Network (CAN) – Europe | | http://www.climnet.org/ | All climate related issues. |

## Sources

Joint Declaration for a European Directive to promote renewable heating and cooling:
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This Joint Declaration has the support of 38 organisations active in the field of renewable energy and renewable heating and cooling.

European Parliament Report with recommendations to the Commission on heating and cooling from renewable sources of energy:
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## 8.4. Biomass

- Directive 2003/30/EC on the promotion of the use of biofuels or other renewable fuels for transport (L 123/42 in the OJ, 17.5.2003)
- EU Biomass Action Plan COM(2005) 628, 7.12.2005, {SEK(2005) 1573}
- EU Biofuels Strategy COM(2006)
- EU Forest Action Plan {SEC(2006) 748}

### Description

The Directive and Communications mentioned above all target an increased uptake of bioenergy use in the EU. The "Biofuels Directive" aims at increasing the share of biofuels in petrol and diesel transport fuels to 5,75% by 2010 and the various Communications outline actions the Commission will undertake to increase biomass use in general. Biomass use reached 69 Mtoe in 2003. According to the European Environment Agency (2006), the environmentally-compatible EU 25 primary biomass potential increases from around 190 million tons of oil equivalent (Mtoe) in 2010 to around 295 Mtoe in 2030, which represents 17% of current EU 25 energy consumption.

### Timetable

The Biofuels Directive entered into force on 17.5.2003 and by the end of December 2006, the Commission will have to draw up an evaluation report on the progress made. On the basis of this report, the Commission shall submit, where appropriate, proposals on the adaptation of the system of targets. The Commission is quite eager to do this on time, as the review of the biofuels directive fits in its broader energy review. In preparing the progress report, the Commission finalised a public consultation in summer 2006.

### Stakeholder Views

Though environmental NGOs generally are very supportive of an increased use of biomass and biofuels, they have concerns over the sustainability of the EU's policy on biofuels and its likely environmental and social impacts. It could fail to significantly contribute to the reduction of greenhouse gas emissions and exacerbate biodiversity decline in the EU and accelerate the destruction of biodiversity of rich ecosystems in developing countries.

The only way biofuels could deliver on their potential as a renewable fuel and an asset for rural communities and biodiversity is if the production is able to meet environmental as well as social criteria. Biofuels that will count towards European and national targets

should comply with minimum sustainability standards, covering both the carbon balance over the lifecycle of the biofuel and the local environmental and social impacts relating to its production.

The Biomass Action Plan recognises the need for such criteria, and we would like to urge the Commission to reaffirm its commitment to truly *sustainable* biofuels in the forthcoming Biofuels communication. As a first and immediate step, we would like to recommend that the Commission establishes a broad stakeholder process, including NGO's from affected countries which closely examine all aspects of biofuels and will help ensure that EU biofuels policy will be truly sustainable and deliver on its potential. In parallel to this, start a full impact assessment from source to end use of the climatic and other environmental and social impacts of all potential biofuels.

## Potential and what should be done

An increased biomass production and use for energy purposes can contribute substantially to GHG (Greenhouse Gas) emission reductions, in the EU and elsewhere. However, the EU needs to make sure this happens in a sustainable way. Some important concerns should be taken into account to ensure sustainability:

- *Where biomass feedstocks are produced*: ensuring the integrity of high conservation value forests, floodplains, natural and semi-natural grasslands as habitats and the needs of the biodiversity they harbour;
- *How biomass feedstocks are produced*: using agricultural and forestry management techniques that can guarantee the integrity and/or improvement of soil and water resources inside and outside the EU;
- *The GHG emissions and carbon losses in how biomass is produced, processed and distributed*: ensuring that the technologies and management systems applied comply with good practice and can demonstrate they deliver savings over conventional fuels. Progress towards second generation biofuels is key in this area;
- *GHG accounting "leakage":* ensuring that biomass imported and used in Europe (and thus contributing towards GHG emission reductions in the EU) fully account for the GHG and carbon life-cycles also for the processes which occurred outside of the EU25;
- *Food, land and water displacements*: an issue of particular concern in the third countries with which the EU will trade in biomass. All of the currently used biomass commodities are also food and feed crops. The interest in biomass has already led to price increases for many of these crops, which can challenge the capacity of the communities that depend on them to continue sourcing them for their own needs. But this is of concern also in EU Member States affected by water

shortages like, for example, Spain where biodiesel crops (sunflowers) are already widely produced and their expansion would provide a further unsustainable stress if simply added to current agricultural land use.

Further policy requirements are the following:

- An assurance system should guarantee the environmental and social soundness of biomass and should guarantee that no GHG leakage occurs. The Commission should take a clear step in this direction when reviewing the biofuels directive. The current quantitative targets for biofuels should be replaced with a system in which the environmental quality of the biofuel plays a role.
- To develop, biomass needs an economic level playing field with conventional fuels. Member States should use instruments that will help to promote sustainable biofuels (such as renewable fuel obligations, tax exemptions, investment subsidies, public procurement and demonstration projects). Such instruments should in no case take the form of open-ended income transfers, act as means for protecting the EU market or affect the security of global food supplies. It is unlikely that either the EU or its Member States will ever have sufficient funds to support the development, take-up and establishment of biofuels on a par with fossil fuels. It seems thus reasonable to also tackle the problem from the other end, and begin to regulate the dismantling of support to the oil sector.
- The EU should consider supporting the development of renewable energy supply strategies in developing countries as long as this is done in a sustainable way and with participation of the local population. Such strategies must address technical standards, sustainable infrastructure and other economic, social and environmental aspects. Promoting regional markets alongside trade for developing countries is strongly suggested. The EU Energy Initiative and its Energy Facility should play a lead role in ensuring biomass bring social and environmental benefits to developing countries.

## NGOs working on the subject

| Name of NGO | Contact person | E-mail/phone/webpage |
|---|---|---|
| WWF EPO | Jean-Philippe Denruyter<br>EU Renewable Energy Policy Officer & WWF Global Bioenergy Coordinator | Jdenruyter@wwfepo.org<br>+32 (0)2 740 09 27 |
| EREF (European Renewable Energies Federation) | Dr. Dörte Fouquet, Director | fouquet@kuhbier.com<br>Tel.: +32 - (0)2 - 67 24 367<br>Fax: +32 - (0)2 - 67 27 016 |
| NGO Coalition of IUCN, EEB, FoEE, T&E | See:<br>www.foeeurope.org/links/green10.htm<br>www.iucn.org/places/europe/rofe | |

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EU-Directive 2003/30/EC on the promotion of the use of biofuels or other renewable fuels for transport (L 123/42 in the Official Journal):
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Letter of environmental NGOs to Commissioners Dimas, Fischer Boel, Piebalgs and Verheugen to express concerns over the sustainability of the EU's policy on biofuels and its likely environmental and social impacts:
http://www.foeeurope.org/publications/2006/joint_letter_Dimas_biomass_19_January_2006.pdf

# 9. Transport

## 9.1. Emissions Trading for Aviation

### Description

The European Commission (COM) adopted a communication (COM(2005) 459 final) in which it proposed the inclusion of the greenhouse gas emissions of the aviation sector in the existing emissions trading system (ETS). Details should be specified by a Commission-working group and by a proposal for a Directive later announced for the end of 2006, but probably only early 2007.

### Timetable

| | |
|---|---|
| July 2005 | COM publishes the report "Giving wings to emission trading" |
| Sept. 2005: | COM publishes a communication accompanied by a COM impact assessment |
| Dec. 2005 | Environment Council and European Council adopt Conclusions |
| 2005/2006 | Several COM Aviation Working Groups |
| April 2006 | COM Aviation Working Group's final report was published (a compilation of the minutes of all the meetings) |
| May 2006 | COM commissions Impact Assessment |
| July 2006 | European Parliament adopts Resolution on Reducing the Climate Change Impact of Aviation |
| Until end 2006 | COM announced to present a Draft Directive |
| 2010 | At the earliest from 2010 an inclusion appears possible (potentially only from 2013, when the post-Kyoto-commitment period is to start). |

### Stakeholder views

The European Commission and the Member States (the Council) are in favour of including emissions from all flights departing from EU airports in the system. The Council has asked for special provisions for ultra-peripheral regions, and a detailed impact assessment.

The European Parliament and green NGOs believe that such a move would not be enough; they would like to see, at least in the first phase, a separate emissions trading

system for aviation, EU-wide application of kerosene taxation, and measures to address non-$CO_2$ emissions such as differentiated airport charges and changes to air traffic management. Green NGOs also want abolition of the current VAT exemption and other direct and indirect financial support.

European airlines are split. Some airlines, like BA and Air France/KLM, are in favour of including the sector into the European Emission Trading System (although limited to intra-EU flights only), while Lufthansa is in favour of a global solution. Industry is united in its opposition towards environmental charges and taxes, and shares grave concerns over impacts of competitiveness.

European airports have played an active role in favour of inclusion of the sector – they see such a move as part of their license to operate.

Sectors already in the EU ETS, especially heavy energy users, have expressed concerns over the $CO_2$ price inflation they expect as a result of the aviation sector – likely a net buyer - entering the scheme.

Last but not least – the US government has expressed heavy objections against including any US airlines in an EU emissions trading scheme and is pursuing this at ICAO level.

## Potential and what should be done

The fast growing aviation sector makes it an increasingly relevant issue for resource and energy efficiency. Aviation has among the biggest growth-rates in $CO_2$-emissions and therefore the growing aviation sector is a major problem for reaching the EU's Kyoto targets. While the EU's total greenhouse gas emissions fell by 5% from 1990 to 2004, carbon dioxide emissions alone from the international aviation of the 25 Member States of the European Union increased by 85% in the same period. In 2005, an update of the aviation report of the Intergovernmental Panel on Climate Change (IPCC), examining the total climate impact of aviation, estimated these effects to be about 2 to 5 times greater than those of $CO_2$ alone, largely depending on the potential impact of aviation-induced cirrus clouds.

Including aviation in the EU's emissions trading system could be a tool to reduce $CO_2$ emissions from the aviation sector or at least to slow down growth of $CO_2$ emissions – depending on the design and the target/cap to be decided. An issue here is that not the cap for aviation, but the overall cap of the EU ETS will decide $CO_2$ eventual prices and hence environmental effectiveness – it remains to be seen whether governments are willing to set strict caps and hence trigger high $CO_2$ prices in the light of the concerns about their energy intensive industries.

Putting charges on aviation or taxes on kerosene has been a demand of NGOs for very long. Aviation receives a lot of direct or indirect subsidies (e.g. the fact that there is no

taxation of kerosene) and therefore has an unfair advantage in comparison to other – often much more environmentally friendly – modes of transport. All the different direct or indirect subsidies have resulted in an enormous growth of aviation and its emissions in Europe. Not withdrawing the demand of phasing out subsidies, it however makes sense to include aviation in the EU-Emissions Trading System (EU-ETS). Not at least since only qualified majority voting is required whereas for all fiscal matters the requirement for unanimity voting makes it very unlikely to achieve any much progress in the Council.

Emissions trading for aviation could thus be a tool to change the trend, especially, since it appears to be a widely accepted approach among most stakeholders. But as $CO_2$ prices in the EU ETS are likely to stay relatively low, a reversal of emission trends cannot be expected. An inclusion of aviation in the ETS will only result in a small fraction of the costs which the aviation sector is currently saving because it is exempt from taxes on kerosene. Inclusion of the aviation sector in the ETS will therefore not end the unfair advantages and subsidies the aviation sector is currently receiving. Additional instruments will be necessary.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage |
|---|---|---|
| The European Federation for Transport and Environment (T&E) | Jos Dings<br>Joao Vieira | jos.dings@transportenvironment.org<br>joao.vieira@transportenvironment.org<br>+32 2 502 9909<br>http://www.transportenvironment.org |
| Climate Action Network Europe | Matthias Duwe<br>Ruta Bubniene | matthias@climnet.org<br>ruta@climnet.org |
| Aviation Environment Federation | Tim Johnson | tim@aef.org.uk |
| Royal Society for the Protection of Birds | John Lanchbery | John.lanchbery@rspb.org.uk<br>+44 1 767 680 551 |

## Sources

European Commission's website on aviation and climate change, including all relevant links to policy documents from Commission, Council, Parliament, study, and links to the documents from the 2nd European Climate Change Programme: http://ec.europa.eu/environment/climat/aviation_en.htm

T&E / CAN-E report 'Clearing the Air' – the myth and reality of aviation and climate change (July 2006): http://www.transportenvironment.org/Article201.html

NGO Letter on the Communication, Sept 2005: http://www.transportenvironment.org/Article147.html

NGO Press release and position paper (June 2005): http://www.transportenvironment.org/Article126.html

## 9.2. Taxes on Kerosene and Air Tickets

- Commission staff working paper: An analysis of a possible contribution based on airline tickets as a new source of financing development, SEC(2005) 733, 5.06.2005
- Commission staff working paper: New Sources of Financing for Development: A Review of Options, SEC(2005) 467, 05.04.2005

### Description

In order to achieve the Millennium Development Goals, several countries have triggered a process of trying to gather new additional financial resources in order to finance the efforts necessary. The objective is to combat hunger and poverty and finance global sustainable development, inter alia health programs including the fight against HIV/AIDS and other pandemics.

Several mechanisms have been studied, among which taxation of kerosene, and taxation of air tickets. Discussions finally focused on a small solidarity contribution levied on plane tickets issued to passengers departing from participating countries. In doing so, each participating country could determine, according to national priorities and taking into account economic, social and ecological criteria as appropriate, a differentiation between first/business and economy class tickets as well as domestic and international flights. One of the above mentioned efforts to gather financial resources is the International Finance Facility (IFF) – a financing mechanism by which countries issue loans and thus attract capital backed by state guarantees to achieve revenues quickly. A first testing step of the overall IFF is the IFF on Immunisation (IFFIm) which aims at providing capital for vaccination, immunisation and fighting HIV/AIDS.

### Timetable

The Commission presented a paper (SEC(2005) 467, 05.04.2005) on the informal meeting of ECOFIN on 13th/14th May 2005 in which it compared the different options for financing, among which taxation of kerosene and air tickets). In case of a kerosene taxation of 33 Ct/litre on all domestic and intra-EU-flights a revenue of 6-7 billion € seems likely. The Netherlands is the first (and yet only) Member State that introduced a kerosene tax on its –few - domestic flights in 2005. Considering the decision of the European Court of Justice of 5th April 2006, it is indeed basically Member States which are responsible for the introduction. Norway is the only other European country with such a tax (which introduction was analysed in an OECD study – see sources). For a few years in the early 2000, Switzerland also had a tax on all domestic flights, initially even for those departing from Switzerland. The Energy Taxation Directive 2003/96 makes it

possible for EU Member States to bilaterally agree on taxation of kerosene on flights between their countries. However, given resistance against EU-wide kerosene taxation from a majority of countries and the requirement for unanimity voting, eventually an air ticket tax was chosen as the most promising financing option. The Commission proposed a supplement for each flight in Europe of 10 € and of 30 € for intercontinental flights. This would have ensured a revenue of 6 billion € - enough to finance the IFFIm. However, the agreement reached so far is basically built on voluntary participation. The summit in Gleneagles in autumn 2005 did not deliver any decision. The paper was made public on 1.9.2005.

In the Berlin Declaration on 2.6.2005, Algeria, Brazil, Chile, France, Germany and Spain declared that it is the objective of the (so called Lula-) Group to move ahead the international consensus on a number of new instruments to finance the fight against hunger and poverty and to thus achieve the Millennium Development Goals. In May 2005, the UK, France and Sweden have committed to participate in the IFFIm. They got the support of Germany and Italy. Work is ongoing with a number of other potential donors.

France and Chile have introduced an air ticket tax from July 2006 on. Sweden plans to introduce it after approval by the European Commission. The UK will reallocate part of its already levied air passenger duty to financing the IFFIm. On an international conference in Paris on 28.02./01.03.2006 more countries committed to introduce an air ticket tax: Brazil, Coast of Ivory, Jordanian, Congo, Luxembourg, Madagascar, Mauritius, Nicaragua, Norway, and Cyprus. Another group of 36 countries is further working on the subject without (yet) committing to the introduction of an air ticket tax, aiming to present a study on the effectiveness by the end of 2006.

The European Parliament, voting on 16th February 2006, has adopted a resolution by overwhelming majority supporting the introduction of an air ticket tax. In its resolution of July 2006 on reducing the climate change impact of aviation (see previous chapter) the Parliament also backed kerosene taxation.

## Stakeholder Views

NGOs (Green 10) are in favour of it. T&E is a major proponent which has also issued a statement on the environment, economic and social benefits of an air ticket tax, as introduced by France. It finds that the average air fare will increase by about 1 percent, leading to a similarly lower demand of 1 percent, and argues that the impacts on tourism will be very limited. However, environmental NGOs have focused their efforts more on environmental taxes such as kerosene taxation.

Airlines and their associations argue against a ticket tax as it would reduce their competitiveness. In addition, they do not understand why it is them who should pay for

increased development aid and argue that tackling aviation runs counter to development objectives.

## Potential and what should be done

The fast growing aviation sector makes it an increasingly relevant issue for resource and energy efficiency. The kerosene tax would be the first-best instrument to reduce oil consumption and $CO_2$ emissions of aviation. An air ticket tax only has an impact on demand and does not give incentives to airlines to organise their operations in an environmentally more efficient way.

Both kerosene taxation and ticket taxes are not expected to be introduced on an EU-wide basis soon because both measures require 25 Finance ministers to agree unanimously. Therefore, a bottom up approach might be more feasible. Member States could start by introducing, like the Netherlands and Norway, kerosene taxation for their domestic flights, extending it to include flights from and to their neighbours in a later stage. Member States could also, like the UK and France, introduce air ticket taxes by themselves. Both revenue streams could be used to fund development objectives but do not necessarily have to.

A positive impact on energy and resource efficiency can be expected, because the tax would make one of the most environmentally unfriendly and energy intensive modes of transport more expensive (especially short flights) and a kerosene tax would make airlines use fuel more efficiently, too. However, substantial tax levels are needed in order to get aviation emissions anything close to stabilisation or even reduction of the total $CO_2$-emissions.

The ticket tax initiative gained substantial momentum at the Paris conference as now about 13 countries are committed to introduce an air ticket tax.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage | Specific Area NGO is working on |
|---|---|---|---|
| The European Federation for Transport and Environment (T&E) | Jos Dings/Joao Vieira | jos.dings@transportenvironment.org or joao.vieira@transportenvironment.org/ +32 2 502 9909/ http://www.transportenvironment.org | All transport-related environmental issues |

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T&E Response to European Air Ticket Tax Proposal:
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T&E Position paper on the environmental benefits of an air ticket tax (1.3.2006):
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## 9.3. $CO_2$-Taxation of Cars

Proposal for a Council Directive on passenger car related taxes, COM 2005(261), 05.07.2005

### Description

The Commission proposed a Directive on the taxation of vehicles. It aims at eliminating the registration taxes in favour of the annual road tax and the introduction of a $CO_2$-component to reduce $CO_2$-emissions of cars. It thus shall contribute to the car industry's commitment to reduce the specific fuel consumption down to 140 g $CO_2$/km in 2008. The Commission aims at a value of 120 g $CO_2$/km by 2010.

Until 31.12.2008 25% and until 31.10.2010 50% of the total revenue shall be levied on the basis of $CO_2$-emissions. Registrations fees shall phase out by 31.12.2015

### Timetable

The EU-Commission presented its proposal on the 5.7.2005. Only one Council Working Group discussed the proposal once in October 2005.

### Stakeholder Views

Many stakeholders appreciate the proposal, among which a string of Member States, and the automotive industry. However, some Member States which are fiscally heavily dependent on registration fees are either opposing or hesitating, e.g. Denmark. Countries like the UK and Sweden generally oppose fiscal harmonisation as a matter of principle. Environmental NGOs have also expressed concern over the intended abolition of the vehicle registration tax, as it is one of the tools that Member States (e.g. Netherlands, Portugal) use to favour cleaner cars over dirtier ones.

The UK and Austrian Presidencies (2005/2006) have decided not to table the proposal as they did not expect to get a long way towards achieving unanimity on this file. It remains to be seen whether future Presidencies will decide to table it.

### Potential and what should be done

Assuming registration taxes would not be scrapped and all car taxes, including company car taxes, would be based on $CO_2$, and all EU countries would go for such a reform, better car taxation could make a significant difference in the average $CO_2$ emissions of passenger cars in the EU.

A differentiation of taxes on cars according to their $CO_2$ emissions per kilometre would contribute to creating incentives to produce more energy-efficient cars. This could also have positive effects by increasing the availability of energy-efficient car models world-wide. In addition, there could be further positive effects, because in order to reduce energy consumption of cars, they have to become lighter, which reduces – in tendency – the amount of resources used to build cars.

It is however unlikely that the EU will decide any binding legislation on taxation in general. It must be expected that the directive, if any, will rather give guidance to national governments.

Influence should therefore be taken on national governments which shall implement the tax-differentiation. The UK and the Netherlands already have such a scheme. In some countries, chances for success are high – for example in Germany where the Government has already announced their intention to make taxation of cars dependent on how much $CO_2$ they emit. The magnitude of such a differentiation will be heavily debated and NGO involvement will be important. The proposal also offers the chance to correct for the current subsidy via reduced mineral oil tax rates for diesel in most countries (apart from the United Kingdom and Switzerland). Often, in the annual road taxes diesel cars are currently taxed higher than gasoline cars. This could now be based on the $CO_2$-emissions and then it would be reasonable to base the mineral oil tax on the $CO_2$-emissions implied by one litre of fuel, too. Hence diesel would at least have to be taxed at the same level as gasoline (taking $CO_2$-emissions fully into account it would have actually to be taxed 13% higher than gasoline).

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage |
|---|---|---|
| The European Federation for Transport and Environment (T&E) | Jos Dings/Aat Peterse | jos.dings@transportenvironment.org, aat.peterse@transportenvironment.org +32 2 502 9909 http://www.transportenvironment.org |

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## 9.4. Follow up of the $CO_2$ Commitment of Car Makers

### Description

In 1998 and 1999, Western, Japanese and Korean carmakers committed to the EU to reduce the sales-weighted average $CO_2$ emissions of their vehicles sold in the EU15 to 140 g/km in 2008 (Western carmakers) and 2009 (Japanese and Korean carmakers). The commitment is one of the three pillars of the Community Strategy to reduce $CO_2$ emissions from passenger cars – the others being car taxation fuel/$CO_2$ labelling of cars.

Under the framework of the European Climate Change Programme II (ECCP II) the European Commission will present early 2007 a Communication to the European Parliament and Council on a revised Community strategy to reduce $CO_2$ emissions from light-duty vehicles. This review will be based on a thorough impact assessment of the existing Community target of a new car fleet average emission of 120 g $CO_2$/km by 2012 and of the possible measures that could form part of a revised strategy based on a so-called 'integrated approach' to $CO_2$ emission reductions from passenger cars and vans.

In 2005 a preliminary impact assessment appeared that put the cost of achieving the '120 g/km' objective at € 577 per car, which would at today's fuel prices be paid back at the pump easily (through fuel-savings).

To this end a Working Group has been set up by the end of 2005. This working group is expected to report in autumn 2006. The Working Group considers a range of measures that could be part of the 'integrated approach' to reduce $CO_2$ emissions from cars, including the 3 pillars of the existing strategy, but also measures like biofuels and so-called 'eco-driving'. All measures will be tested on criteria such as effectiveness, cost effectiveness, accountability, and transparency.

The most important question in the forthcoming Communication from the Commission of the revised strategy is what will come in place of the commitment after it has run out, in 2008/9.

Preliminary figures for 2005, published by T&E, show that the car makers would have to improve their fuel efficiency by 13 per cent over the last 3 years of the commitment, which is as much as they have succeeded to do in the first 10 years. These figures show that it is unlikely that car-makers reach the 140g/km target (average $CO_2$ emission) they have agreed to.

An official monitoring report published by the European Commission in August says that carmakers must "substantially increase their efforts" in reducing carbon dioxide emissions from new vehicles or they could face legislative measures. The report into progress made during 2004 states that the European and Japanese industry associations

(ACEA and JAMA) "were not able to provide firmer assurances than in previous years" that the 140g/km target will be met, "despite the commitment period drawing to an end". In order to achieve the target, the Commission says that all three associations will "have to substantially increase their efforts". The conclusions of the report note for the first time that the Commission is considering a legally-binding follow-up to the commitment.

## Timetable

In February 2005, the EU-Commission presented its Communication "Winning the battle against climate change" (http://europa.eu.int/comm/environment/climat/future_action.htm) and announced it would launch the Second European Climate Change Programme (ECCP II) by the end of 2005.

In August 2006, an official monitoring report was published.

Early 2007 a Communication to the European Parliament and Council on a revised Community strategy to reduce $CO_2$ emissions from light-duty vehicles is expected. This Communication will draw policy conclusions and recommend a way forward to reduce road passenger transport's climate change impact.

## Stakeholder Views

ACEA (the Western car makers) stated lately that they are no longer confident they will meet the target of the commitment.

The industry associations are strongly against legally binding mechanism to achieve the 120 g/km objective and insist an integrated approach is needed to achieve this target and the automotive industry could not be held solely responsible for meeting it.

NGOs have long been sceptical about the seemingly voluntary approach to reduce $CO_2$ emissions from cars and demand binding legislation. The preliminary figures for 2005 seem to confirm that view, because the progress in 2005 (1%) again was three times less than it should have been in order to achieve the 140 g/km target by 2008. NGOs strongly oppose non-technical and fuel-based measures, such as biofuels and ecodriving, to count towards the 120 g/km objective. Such measures, according to them, should come on top of the obligations for manufacturers.

France has also issued strongly worded scepticism – a paper submitted to the ECCP2 working group says the commitment will not be met and expresses caution about the 'integrated approach'. Smaller Member States like Austria and the Netherlands have also voiced strong concerns.

## Potential and what should be done

Resource and energy efficiency potentials are large given the approximately 15% share of cars and vans in the European $CO_2$ emissions. Decreasing fuel consumption of cars would have very positive effects on energy efficiency in Europe. Reducing $CO_2$ emissions from the current level of 160 g/km to the EU target of 120 g/km would, for example, shave a quarter off fuel consumption and fuel bills from cars and vans.

If the commitment of car manufacturers (to increase the energy efficiency of cars) is not kept, it needs to be followed up by the setting of ambitious, legally binding standards for the fuel-efficiency of cars in Europe. Such measures would push forward innovation in the car industry, which is urgently needed to stay competitive on the world market. It would also be a major contribution to reducing $CO_2$-emssions from cars and save European car drivers hundreds of Euro every year at the filling-station.

Analysis shows that the use phase of the cars dominates its resource use. For example, over 90% of energy requirements are due to the use phase of the car, less than 10% occurs during production and demolition. It is very likely that synergies between in-use energy efficiency and non-energy resource use exist. High energy efficiency goes hand it hand with lighter and smaller vehicles, and hence less material use. For example, the fuel-saving effects of using the lighter aluminium outweigh the extra energy consumption associated with the production of aluminium.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage | Specific Area NGO is working on |
|---|---|---|---|
| The European Federation for Transport and Environment (T&E) | Jos Dings/Markus Liechti | jos.dings@transportenvironment.org or aat.peterse@transportenvironment.org +32 2 502 9909/ http://www.transportenvironment.org | All transport-related environmental issues |
| European Environmental Bureau (EEB) | Pendo Maro Stefan Scheurer | pendo.maro@eeb.org +32.2.2891302 www.eeb.org; www.ecotax.info | All EU environmental policy issues, has a specific EU-network of experts on ETR |
| Green Budget Germany (GBG) | Kai Schlegelmilch | foes@foes.de +49-89-520113-13 www.foes.de; www.eco-tax.info | Environmental Tax and Fiscal Reform and related economic instruments |
| FoE UK | Tony Bosworth | +44 113 389 9958 tonyb@foe.co.uk; www.foe.co.uk | All transport related environmental issues |
| Deutsche Umwelthilfe | Stefan Bundscherer | bundscherer@duh.de +49(0)30-25 89 86-23 www.duh.de | Energy efficiency of cars, emission of cars |
| VCD | Gerd Lottsiepen | Gerd.Lottsiepen@vcd.org +49-30-28 03 51-0 www.vcd.org | All transport-related environmental issues |
| BUND (Friends of the Earth Germany) | Matthias Seiche | matthias.seiche@bund.net +49-30-27586-433 www.bund.net; www.oekosteuer.de | All environmental policy issues, climate policy, ecotaxation |

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http://ec.europa.eu/environment/co2/co2_home.htmEU-Commission Communication "Winning the battle against climate change":
http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2005/com2005_0035en01.pdf

EU-Commissions' Monitoring Reports on the achievement of $CO_2$-emissions reductions:
http://ec.europa.eu/environment/co2/co2_monitoring.htmStudy on costs of achieving '120' objective:
http://ec.europa.eu/environment/co2/pdf/cars_ia_final_report.pdf

High-level group Cars21:
http://ec.europa.eu/enterprise/automotive/pagesbackground/competitiveness/cars21.htmInformation and documents of the Working Group:
http://forum.europa.eu.int/Public/irc/env/eccp_2/library?l=/light-duty_vehicles/4th_meeting&vm=detailed&sb=Title

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## 9.5 Tackling the $CO_2$ Emissions of Shipping

### Description

Over the past decades, fuel consumption and emissions from international shipping have substantially increased. The latest inventory of GHG (Greenhouse Gas) emissions in the European Community confirmed once again that GHG emissions from international maritime transport have increased by 5.6% between 2003 and 2004 and that the sector accounts now for almost 3% of the total EU25 GHG emissions. An increase of almost 45% of GHG from ships since 1990 shows the unsustainable growth path of the sector, probably associated with the lack of policy control, as emissions are not covered by Kyoto Protocol and haven't been a priority for action in the last years.

During the negotiation of the Kyoto Protocol, parties have not been able to agree on a methodology to assign responsibility for greenhouse gas emissions from international maritime transport (just like international aviation). Article 2.2 of the Protocol says that shipping emissions should be dealt with 'working through IMO' (the International Maritime Organization), but so far IMO has not delivered. This and the fact that individual states find it difficult to deal with its emissions, leads to a situation where this sector is one of the least regulated sources of anthropogenic GHG emissions. It seems to present a high reduction potential to reduce emissions cost-effectively through technological improvements, alternative fuels and ship modifications, there are almost no incentives for the various stakeholders to increase their efficiency.

### Timetable

The IMO's Marpol Annex VI, the IMO's carbon indexing and the EU's marine fuel sulphur Directive are three modest first steps towards emission reduction. There are clear signs that fuel costs are going to increase substantially, giving rise to the attention drawn to energy efficiency, which has always been an important issue for the maritime industry, as it is linked to lower operational costs.

Despite these developments, the impacts of this sector are still too often forgotten in the debate on sustainable transport and mobility, and even considering the fuel costs increase and the increased awareness from policy makers, it is still hard to define a timetable for action to be expected in this field.

Currently the Marine Environmental Protection Committee (MEPC) of IMO is working on the development of a voluntary Greenhouse Gas Index, which is designed to measure the amounts of $CO_2$ emitted per tonne-mile, but this should not be the end of the story. In

order to make real progress the index should become mandatory, and should be linked to certification systems or market based mechanisms.

At EU level, the policy agenda has been driven by the strategy to reduce atmospheric emissions from seagoing ships, though concentrated in the improvement of air quality. But, while strategies to reduce GHG emissions from road transport and aviation have been, or are being, developed, with shipping only the very first preparatory steps are being taken. A study to design and assess different policy options to reduce the climate impacts from shipping is being prepared for the Commission. The European Environment Agency (EEA) has published a study that shows that stringent EU climate change policies (aimed at limiting temperature rise to 2 degrees above pre-industrial levels) could also improve Europe's air quality.

## Stakeholder Views

Emissions of GHG and other pollutants from shipping are not subject to the policy controls of the Kyoto Protocol, the UN-ECE Gothenburg Protocol (about the Abate Acidification, Eutrophication and Ground-level Ozone) and the NEC (National Emissions Ceilings) Directive. However, precisely due to this lack of major policies, the share of emissions from this sector is increasing rapidly. It is therefore the view of environmental NGO's that action should be taken in order to cope with GHG emissions from shipping and to bring atmospheric emissions to a similar level to that of land-based transport.

Within the shipping industry some companies are trying to increase their energy efficiency and reduce emissions, namely by changing the ship fuels, use of more efficient propulsion systems or operation control measures as the choice of speed. Some ports are also working on innovative and cost-effective management practices and technologies to avoid, prevent, minimize, mitigate or remediate environmental impacts associated with port development and operations.

## Potential and what should be done

Shipping alongside with aviation is a fast growing sector and an increasingly relevant issue for resource and energy efficiency. The figures presented by the EEA for the EU GHG emissions in 2004 show growth rates of the same order of magnitude as those of aviation in $CO_2$ emissions.

Even though there are no plans to implement instruments to reduce emissions from ships in a large scale, it is known that there are various policy options to reduce those emissions in a cost effective way. Several measures have been identified, for example economic instruments as kilometre-based charges or differentiated port dues, or supply-side instruments as new fuels or more fuel efficient engines.

Emissions trading for shipping can also be a possible tool, particularly in Europe, if the inclusion of aviation in the EU ETS succeeds. But as the inclusion of aviation may only be achieved by 2010 and then results must be obtained before the inclusion of other transport modes, additional instruments will most certainly be necessary.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage |
|---|---|---|
| The European Federation for Transport and Environment (T&E) | Joao Vieira | joao.vieira@transportenvironment.org<br>+32 2 502 9909<br>http://www.transportenvironment.org |
| De Noordzee Milieuorganisatie | Eelco Leemans | e.leemans@noordzee.nl<br>+ 31-30-234 0016<br>http://www.noordzee.nl |
| Swedish NGO Secretariat on Acid Rain | Christer Ågren | cagren@acidrain.org<br>+46-31-711 4515<br>www.acidrain.org |

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# 10. Other Policy Areas

## 10.1. Public Procurement

Directive 2004/17/EC (March 2004) coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors

Directive 2004/18/EC (March 2004) on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts

### Description and Timetable

'Public procurement' refers to the purchase by governments and local authorities of goods and services, often using tax-payers' money. Total public procurement in the EU is estimated at about 16% of the Union's GDP or €1500 billion in 2002.

Green Public Procurement (GPP) is an approach by which public authorities integrate environmental criteria in all stages of their procurement process when paying for goods and services. It can be a powerful market driver to help the uptake of environmental technologies, encourage 'eco-innovation' and support the entry of environmentally-sound products, services and processes into the market. GPP can also encourage national implementation and environmentally beneficial policies (e.g. energy efficiency, renewable energy, climate change, urban strategy, Environmental Technology Action Plan) at national, municipal and local levels.

In May 2000, the European Commission published a proposal to revise the 1993 public procurement directives. At first, there were some concerns that the new Directives on Public Procurement would put an end to the rights of public authorities to use public procurement to promote environmentally responsible production and products/services. In the end, the Directives allow public procurement to promote environmentally sound products and services and, to a certain extent, also production. One environmental merit is that ecolabels are now recognised as selection criteria. In addition, the Directives most likely will not reduce the freedom of public authorities to play a progressive role as important consumers. Since the EU now allows for Green Public Procurement, it is basically up to the national, regional and local authorities to use the options in these Directives.

The legislative package of public procurement Directives was approved in March 2004 by the European Parliament and the EU's Council of Ministers.

Since then, the Commission has supported GPP in implementing the Environmental Technologies Action Plan. The Commission also proposed a new law for clean vehicles in

December 2005 (COM (2005) 634 final 2005/0283 (COD)) that requires public bodies to spend up to 25 percent of their annual procurement requirements of heavy-duty vehicles (buses and most utility vehicles, such as refuse collection lorries) to be "enhanced environmentally-friendly vehicles" (EEV).

The new EU Sustainable Development Strategy, adopted by the European Council in June 2006 contains a more or less specific target for the EU as a whole. "Aiming to achieve by 2010 an EU average level Green Public Procurement (GPP) equal to that currently achieved by the best-performing Member States." This is an implicit target of 55% (the average of the seven countries with the highest percentage of Green Public Procurement: Austria, Denmark, Finland, Germany, the Netherlands, Sweden and the UK.)

To facilitate the application of all options, the European Commission has also produced a "Handbook on Green Public Procurement".

## Stakeholder Views

Environmental, social and fair trade NGOs, trade unions, social enterprises, city networks, and many other organisations want social and environmental considerations to be taken into account in public procurement processes. That is why they joined forces at European level and campaigned to make sure that new EU rules on public procurement give more freedom to governments and public authorities to include social, ethical and environmental considerations in public procurement processes.

Supported by the European Parliament, NGOs succeeded in a European legislation that allows member states to practice Green Public Procurement. A key demand of NGOs therefore is now directed towards the members states: to put GPP into practice – an important demand since in 18 member states, less than 30% of the public tenders include environmental criteria.

NGOs also believe that more ambitious targets are feasible and must be pursued. They believe that a 100% target for Green Public Procurement is possible (as also proposed by the Dutch Government), arguing that taxpayers money should always be spent in a way which contributes to a better environment.

The Commission's proposal for a new law for clean heavy duty vehicles, which requires governments to buy at least 25% "enhanced environmentally-friendly vehicles" (EEV), has been criticized by NGOs as being too weak. NGOs demand that it has stricter environmental criteria and that it also covers light vehicles and cars. Parliament and the Council have a key role in improving this proposal so GPP becomes an integral part of public authorities' means to deliver sustainable development objectives.

## Potential and what should be done

Because of the size of Public Procurement - 16% of the EU's GDP – the greening of these activities could have a pronounced effect on resource and energy efficiency. To achieve this, the application of green standards in the procurement procedure must be approved considerable. This is a challenging task – mainly on the national, regional and local level. At present, 15 Member States have, or are in the process of adopting National Action Plans (NAPs) for Green Public Procurement. This offers an opportunity to develop clear environmental criteria, to ensure (better) guidance and information sharing, to develop incentives and other measures to boost GPP, and to steer discussions towards the development of an EU and national GPP target.
The Commission's proposal for a new law for clean heavy duty vehicles provides another opportunity to set stricter standards for Green Public Procurement.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage |
|---|---|---|
| European Environmental Bureau (EEB) | Pendo Maro | Pendo.Maro@eeb.org<br>+32.2.2891302/1090, www.eeb.org |
| Social Platform | | policy@socialplatform.org<br>+32 2 511 37 14, www.socialplatform.org |
| EDF | | info@edf-feph.org<br>+32 2 2824600, www.edf-feph.org |
| EPSU | | epsu@epsu.org<br>+ 322 250 10 80, www.epsu.org |
| GMB | | gmb-brussels@geo2.poptel.org.uk<br>+322 230 56 75 , www.gmb.org |
| CECOP | | cecop@cecop.coop<br>+32 2.543.10.33, www.cecop.coop |
| ETUC | | ETUC@ETUC.ORG<br>+32-2-2240-411, www.etuc.org |
| EUROCITIES | | info@eurocities.be<br>+32 2 552 08 88, www.eurocities.org |
| ICLEI. | | procurement@iclei-europe.org<br>+49-761-36892-0, www.iclei-europe.org/procurement |

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http://europa.eu.int/comm/internal_market/publicprocurement/key-docs_en.htm

Legislation: http://europa.eu.int/comm/internal_market/publicprocurement/legislation_en.htm

Press release:
http://europa.eu.int/comm/environment/gpp/pdf/press_release_en.doc

The Handbook (in all official languages) and further documents can be found at: Buying green:
http://europa.eu.int/comm/environment/gpp/pdf/gpphandbook.pdf

http://europa.eu.int/comm/environment/gpp/guidelines.htm#handbook

Database with best practices and product groups:
http://europa.eu.int/comm/environment/green_purchasing/cfm/fo/greenpurchasing/index.cfm

Press Release:
http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/149&format=HTML&aged=1&language=EN&guiLanguage=en:

Report on the functioning of public procurement markets in the EU: benefits from the application of EU directives and challenges for the future:
http://europa.eu.int/comm/internal_market/publicprocurement/docs/public-proc-market-final-report_en.pdf

Public Consultation:
http://europa.eu.int/comm/internal_market/publicprocurement/remedies/remedies_en.htm

EEB-Campaign:
http://www.eeb.org/activities/public_procurement/Index.htm
http://www.eeb.org/activities/public_procurement/Public-procurement-Campaign-paper-251004.pdf

Trade union and NGO campaign on "Investing for Sustainable Development":
http://www.socialplatform.org/module/FileLib/ManifestoforSustainableInvestmentEN.pdf

ICLEI's Sustainable Procurement Campaign Procura+
www.icleieurope.org/procurement

EU Multistakeholder Forum report on CSR:
http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_index.htm

## 10.2. Environmental Technologies Action Plan (ETAP)

### Description

According to the report from the Commission on „Environmental Technologies for Sustainable Development", environmental technologies include both integrated technologies that prevent pollutants being generated during the production process, and end-of-pipe technologies that reduce the release into the environment of any pollutants that are produced. They can also include new materials, energy and resource-efficient production processes as well as environmental know-how and new ways of working. In essence, environmental technologies include any technology that, when compared to other technologies, does the same thing – but with less environmental impact.

The European Union considers environmental technologies as an important bridge between the Lisbon strategy and the EU Sustainable Development Strategy, having the potential to contribute to economic growth while benefiting the environment and protecting natural resources.

The main policy in Europe to stimulate the development and uptake of environmental technologies is ETAP (Environmental Technologies Action Plan), which focuses on actions around three main themes: getting from research to markets, improving market conditions and acting globally. According to the Commission communication "Stimulating Technologies for Sustainable Development: An Environmental Technologies Action Plan for the European Union", the 40 actions can be grouped in eight sections:

- *Research and Development* (strengthening research and establishing technology platforms)
- *Verification of technologies* (establishing networks of testing centres, drafting catalogues of existing environmental technologies)
- Definition of Performance Targets
- *Mobilisation of Financing* (i.e. improving financing of environmental technologies by introducing enhanced funding and risk sharing mechanisms)
- *Market-based Instruments* (reviewing cohesion funds, state aid guidelines, environmentally harmful subsidies, and market based instruments)
- *Procurement of environmental technologies* (e.g. using life-cycle costing or technology procurement)
- Business and Consumer Awareness raising and targeted training
- *Acting Globally* (promoting environmental technologies in developing countries and countries in economic transition)

## Timetable

Work on ETAP began in 2001. In 2002, the Commission published a report outlining the environmental technologies market, including some of the barriers to their development. After the publication of a document outlining the content of ETAP, a stakeholder process was initiated with four subgroups analysing the potential of environmental technologies for climate change, soil, water and sustainable production and consumption. ETAP was finally adopted in 2004.

Member States have already prepared or are currently preparing national strategies and action plans relevant to environmental technologies. These ETAP roadmaps will help to focus on relevant plans, actions and achievements and will be the basis of an exchange of knowledge, experience and good practice among Member States. By the end of June 2006, 18 Member States have concluded their national strategies. A synthesis of national roadmaps is expected in late 2006.

## Stakeholder Views

The European Committee of Environmental Technology Suppliers Association (EUCESTA) welcomes ETAP and emphasises the important role of environmental regulation and enforcement, e.g. through green taxes as a driver for the development of environmental technologies.

In a letter to the President of the European Commission, the Green-10 demand a strengthening of the ETAP with challenging performance targets for products and services (see sources).

In May 2006, the European Association of Craft, Small and Medium-sized Enterprises (UEAPME), the European Committee of Environmental Technology Suppliers Associations (EUCETSA) and the European Environmental Bureau (EEB) jointly protested to the European Commission against its plans to cut the original 520 million Euro budget for eco-innovation by some 60%. This action contributed to a final decision of a 30% cut only, in line with the general level of cuts of innovation budgets, forced by the December 2005 European Council decision on the Financial Perspective 2007-2013. The three interest groups stated that a drastic reduction in funds would make it difficult for the Commission to show leadership in promoting eco-innovation in the coming years and to fulfil the promise to strongly promote and diffuse eco-innovations and environmental technologies within the ETAP framework.

## Potential and what should be done

In its own definition, the Commission refers to environmental technologies as energy and resource-efficient production processes. Supporting development and

implementation of environmental technologies is recognised by the Commission as a key strategy to improve the international competitiveness of European industries. These possible economic benefits facilitate support for ETAP beyond DG Environment.

Given the wide range of policy areas involved in the implementation of ETAP (research and technology development; public procurement; corporate social responsibility; development aid, etc.), ETAP could be one of the key policy frameworks to realise substantial improvements in resource and energy efficiency in Europe.

NGOs should support the implementation of ETAP as a key approach to reach Lisbon growth and competitiveness targets, while at the same time contributing to environmental improvements. Although the national roadmaps of Member States have either already been published or are going to be presented within the first half of 2006, NGOs should evaluate progress achieved with regard to the national ETAP targets.

## NGOs working on the subject

No NGOs working specifically on ETAP could so far be identified.

| | | |
|---|---|---|
| Green-10 | For contacts see:<br>http://www.foeeurope.org/links/green10.htm | The Green-10 are a loose cooperation of the 10 environmental networks represented in Brussels |

## Sources

ETAP Homepage:http://europa.eu.int/comm/environment/etap/index.htm

EU Commission report « Environmental technologies for sustainable development » (2002):
http://europa.eu.int/eur-lex/en/com/rpt/2002/com2002_0122en01.pdf

Communication from the Commission : « Environment Technologies Action Plan » (2004):
http://europa.eu.int/comm/environment/etap/pdfs/com_2004_etap_en.pdf

National ETAP roadmaps
http://ec.europa.eu/environment/etap/roadmaps_en.htm

ETAP Newsletter « Clean, clever, competitive »
http://europa.eu.int/comm/environment/etap/newsletter.htm

Green-10 letter to President Barroso (April 2005)
http://assets.panda.org/downloads/barrosothankyouletapril2005.pdf.

## 10.3. Lending Practices of the European Investment Bank (EIB)

### Description

At the Bonn Renewables conference in June 2004, the EIB declared that the bank is already significantly supporting investments in renewable energy and announced a target of 50% lending for renewables in energy generation in the EU.

The EIB is a major lender and therefore a shift in their policies towards renewable energy and energy efficiency would make a valuable contribution.

### Timetable

The goal of reaching a share 50% of its lending for energy for renewable-energy projects was announced in 2004 with 2010 as the implementation timeline. Due to ongoing lack of detailed project information, it is however unclear how the implementation of the above mentioned goal is proceeding. Currently the EIB claims it has reached the goal as: "In 2005, loans for renewable energy projects totalled EUR 593 million, or 64% of lending for new electricity generation".[9] However, in another document – its Annual Report for 2005 – the EIB mentions that 'In 2005 lending for renewable energy projects totalled EUR 484m, or 64% of loans of new electricity generation".[10]

### Stakeholder Views

Environmental NGOs, such as the CEE Bankwatch Network have been trying to confirm earlier pledges of the EIB which claimed in 2004 that it allocated approximately EUR 300 million to intermediary banks for financing small and medium sized renewable energy projects. When asked for more details, the EIB refused to provide any exact information about the renewable energy projects financed through the financial intermediaries via global loans (part of the EIB's overall renewable energy investments), citing a disclosure policy attached to its global loans. NGOs asked 386 financial intermediaries (intermediary banks managing EIB global loans) to provide a list of renewable energy projects financed through the EIB global loan credit line over the period 1999 to 2003. After hearing from 73 out of the 386 intermediary banks addressed (i.e. only about 19%), NGOs received no evidence about a concrete renewable energy project being financed from the EUR 300 million allocated by the EIB.

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[9] EIB 2005 Corporate Responsibility Report, p. 60 http://www.eib.org/publications/publication.asp?publ=260

[10] Annual Report 2005. Activity Report, p.29 http://www.eib.org/publications/publication.asp?publ=252

It is therefore of high importance that implementation of the 50% goal is regularly monitored and that the EIB provides clear and disaggregated data in this respect.

## Potential and what should be done

The EIB is lending more money per year than the World Bank (within Europe and in other continents). The total amount of loans signed in 2005 was almost 47,5 billion Euro! This means that any shift in their lending practices and guidelines towards sustainability would have enormous positive effects. EIB has also a big role in funding research and development (more than 3 billion Euro in 2005 alone) which makes it an important player in supporting development of future resource and energy efficient technologies.

There are numerous ways which EIB could use public money it operates with in order to help making Europe the energy and resource use champion.

The EIB should:

- Adopt energy and resource efficiency as an overarching criterion used in assessing projects presented for EIB funding. Such criterion should accompany current EIB appraisal done from technical, economic, financial and environmental point of view;
- Fully end loans for non-renewable energy production and shift loans towards renewables and demand side energy efficiency;
- Set up ambitious goals for energy efficiency in its electricity transmission and supply lending;
- Create dedicated energy efficiency and renewables unit which would pro-actively enhance funding for this type of projects;
- Establish preferential treatment for research and development projects that seek achieving energy and resource efficiency;
- Establish preferential treatment for urban infrastructure projects that seek achieving energy and resource efficiency;
- Condition support to transport manufacturing on projects' contribution to achieving energy and resource use efficiency;
- Set up at least minimum guidance on the usage of its global loans (distributed through financial intermediaries) for renewable energies and energy efficiency and use earmarking for renewable and energy efficiency projects;
- Regularly monitor its support to increasing energy and resource use and release data on projects contributing to this goal;
- Publish on an annual basis, data about renewable and energy efficiency projects financed through each of global loans;

- Apply the above recommendations equally to its lending outside Europe in order to equally champion sustainable development outside the EU.

The arguments that increasing energy and resource efficiency can also improve economic performance, increase competitiveness and innovation and create jobs, might be especially useful in the discussion with the EIB.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage | Additional Information |
|---|---|---|---|
| CEE Bankwatch Network | Magda Stoczkiewicz | magdas@bankwatch.org<br>+32 2 542 01 88<br>www.bankwatch.org | CEE BWN monitors activities of International Financial Institutions in Central and Eastern Europe |

## Sources

Publications on EIB policies and projects and their sustainability:
http://www.bankwatch.org/publications/index.html

EIB publication on renewables:
http://www.eib.org/publications/publication.asp?publ=76

## 10.4. Integrated Product Policy (IPP) and Directive for Setting Eco-Design Requirements for Energy-Using Products

### Description

Integrated product policy (IPP) marks an important new stage in the development of new environmental policy approaches in the EU. IPP today is regarded as an integral part of EU's efforts towards a more sustainable development. Instead of focussing on large point sources which have been in the centre of product-related environmental policies in the past, IPP addresses resource use and environmental impact in an integrated way, taking into account all phases of a product's life-cycle (from the 'cradle to the grave'), as well as the roles of the different involved actors. The primary aim of IPP is to reduce the environmental impacts from products throughout their life cycle, harnessing, where possible, a market driven approach, within which competitiveness concerns are integrated.

The Communication of the European Commission on IPP (2003) contains a number of proposals for policy instruments to support continual environmental improvements. As such, they intend to provide incentives "for producers to make new product generations greener than their predecessors on the basis of life-cycle thinking and taking into account the parameters set by the market". It will also require incentives for consumers to make sure these products will be bought. An effective IPP, therefore, must provide for an economic and legal framework that is supportive of the greening of products and their purchase. Appropriate policy instruments for such a framework are taxes and subsidies, environmental agreements and standardisation, public procurement legislation, and other legislation. A third area of intervention is concerned with giving consumers (public, private or individual) the necessary information to buy and use greener products. The European Commission recently launched a webpage, listing policy tools for the implementation of IPP and summarising European actions in these areas (see http://ec.europa.eu/environment/ipp/toolbox.htm).

The Directive 2005/32/EC on the eco-design of Energy-using Products (EuP) (Eco-Design Directive) is one of the core elements for the implementation of IPP. The directive defines conditions and criteria for setting, through subsequent implementing measures, requirements regarding environmentally relevant product characteristics (such as energy consumption) and allows them to be improved quickly and efficiently. Obligations will not be set for all energy-using products, but only for those meeting criteria such as important environmental impact and volume of trade in the internal market and clear potential for improvement, for example where market forces fail to make progress in the absence of a legal requirement.

Another important existing product policy tool is the European Ecolabel Scheme, which is designed to work on the front-end of the spectrum – not setting minimum requirements but laying down best-performing (or at least better than average) performing benchmarks.

## Timetable

In 2001, the European Commission adopted a Green Paper on IPP with the objective of launching a debate on the role and possible measures that could be taken on the EU level. In 2003, the Commission published a communication on IPP including concrete policy instruments and strategies to pursue IPP objectives.

Beginning in 2001, the MS evolved the practice of holding so-called "IPP Informal Meetings", with participation of Member States and some stakeholders. Their purpose is to coordinate national activities and develop policy in parallel to EC activities. The Commission, then established an additional “IPP Regular Meeting Forum,” which meets 2-3 times a year. The purpose of this Forum is to monitor and promote the implementation of the Commission's Communication on IPP.

In 2004, the second IPP Regular Meeting agreed to set up three IPP working groups and to focus on a couple of research projects. Their aim is to discuss and find solutions to specific subjects important to the development of IPP with the participation of relevant experts. The first working group will prepare a reporting format that is to be filled out by Member States and stakeholders until December 2006 on the measures taken and the progress made in implementing IPP. The second working group will examine the need for a more elaborated set of tools and a strategy on providing life cycle information throughout the product chain. Both working groups are currently finalising their recommendations, the latter in particular on the elements necessary for a product Information Strategy, emphasising the importance of a legislative proposal on product information. The third working group focuses on IPP pilot projects and is essentially a dialogue on what IPP should mean in the context of two particular product groups which volunteered themselves for such a process (Carrefour on Teak garden chairs and Nokia on mobile phones). In 2007, the Commission will report on the progress of IPP to the European Parliament and Council.

In 2004, research work on identifying products with the greatest potential for environmental improvement from a life-cycle perspective has begun and is expected to be finished by 2007.

The Directive for setting eco-design requirements for energy-using products (Eco-Design Directive) was adopted by the European Parliament and Council in 2005. The Ecolabel Regulation will be revised with a Commission public consultation expected autumn 2006 and a proposal for revision early 2007.

## Stakeholder views

Industry federations in general welcome the IPP strategy but point out that the IPP strategy is increasingly moving from (what was originally) a product policy to achieve sustainable development, towards a purely environmental policy. They also push for regulation to be avoided, costs and administrative burdens not to be increased and for true incentives to be introduced.

Environmental organisations emphasise that the IPP strategy misses a clear legislative platform, such as an IPP Framework Directive, including clear environmental objectives, providing the Commission with a mandate to develop minimum requirements beyond those products covered by the Energy Using Products Directive and obliging producers to supply product life cycle information. These organisations also claim that IPP should be implemented via a broad range of instruments, including taxation, fiscal incentives and low VAT on environmentally friendly products, the promotion of criteria-led eco-labels and green public procurement. More recently both environmental groups and consumer groups have been critical over the inaction concerning concrete action implementing the IPP Strategy and the excessive emphasis on voluntary actions – e.g. as a result of the pilot projects.

On the Eco-Design Directive environmental NGOs demand that strict and dynamic minimum standards should be established for electrical appliances (and other products). These should include regulations to remove appliances from the market, if they do not conform to minimum standards (e.g. on energy efficiency). These standards should not be rigid but established dynamically, according to the so-called top-runner approach. Standby circuits should only be allowed, if absolutely necessary.

## Potential and what should be done

The life-cycle approach – as long as it means the targeting of action on multiple and synergetic points of leverage along the life-cycle of a product – is key to improved energy and resource efficiency of products. Any efforts in this direction must thus be considered as extremely valuable in terms of resource efficiency. However, care has to be taken that the life-cycle approach is not misused in terms of passing on responsibilities from one actor to the other in the manufacture-production-retail chain. Targeted at dematerialisation, product related policies can serve as an important new approach to reduce the use of raw materials. However, it remains to be seen how effectively IPP will be implemented. The elaboration of concrete responsibilities for industry to deliver life-cycle wide information on environmental impacts of products and the definition of concrete targets for environmental improvements (beyond those products in the scope of the energy using products directive) must be the next steps. In general, the IPP Directive

must be followed up with more concrete actions and instruments aiming for much more eco-efficient products.

The Eco-Design Directive must be improved, establishing strict and dynamic (top-runner approach) minimum standards and ending the use of standby-circuits where they do not fullfil a necessary function.

## NGOs working on the subject

| Name of NGO | Contact Person | E-mail/Phone/Webpage | Additional Information |
|---|---|---|---|
| European Environment Bureau | Melissa Shinn | ecoproducts@eeb.org<br>www.eeb.org | See their specific wepage:<br>www.eeb.org/activities/product_policy/Index.htm |
| BEUC (Bureau Européen des Unions de Consommateurs) | Laura Degallaix | consumers@beuc.org<br>lde@beuc.org<br>www.beuc.org | |
| WWF | | http://www.panda.org/about_wwf/where_we_work/europe/what_we_do/epo/index.cfm | |

## Sources

IPP Homepage: http://europa.eu.int/comm/environment/ipp/home.htm

Ernst & Young study "Developing the foundations for IPP in the EU" (2000):
http://europa.eu.int/comm/environment/ipp/pdf/ipp_devrep.pdf

Green Paper on IPP (2001):
http://europa.eu.int/eur-lex/en/com/gpr/2001/com2001_0068en01.pdf

Communication from the Commission on Integrated Product Policy (2003):
http://europa.eu.int/eur-lex/en/com/cnc/2003/com2003_0302en01.pdf

Studies identifying products with greatest potential for environmental impacts:
http://europa.eu.int/comm/environment/ipp/identifying.htm

Ecodesign directive Homepage: http://europa.eu.int/comm/enterprise/eco_design/index.htm

Directive for setting eco-design requirements for energy-using products (2005):
http://europa.eu.int/comm/enterprise/eco_design/directive_2005_32.pdf

EU Ecolabel webpage: http://ec.europa.eu/environment/ecolabel/index_en.htm

Ecological Product Policy webpage of the EEB: www.eeb.org/activities/product_policy/Index.htm

# 11. About the Authors and the Foundation

**Dr. Martin Rocholl,** born in 1959, studied Biology at the University of Würzburg and Freiburg, Germany and was employed as molecular plant physiologist and as radio journalist.

30 years voluntary and professional work in local, national and international environmental organisations: projects on transport, acid rain, climate change, biotechnology and sustainable city planning. Founder of local and international environmental organisations.

Coordinator of the nation-wide ecological tax reform campaign of Deutscher Naturschutzring (German umbrella organisation of environmental groups) which has lead to the implementation of an ecological tax reform by the German government (1996-1997). Author of the book "Die Ökologische Steuerreform" (Ecological Tax Reform, Birkhäuser 1998).

From 1998-2001 political co-ordinator of Friends of the Earth Europe (FoEE) in Brussels; from 2001-2005 Director and now chairman of FoEE.

Friends of the Earth Europe campaigns for sustainable and fair societies and for the protection of the environment, unites more than 30 national organisations with thousands of local groups and is part of the world's largest grassroots environmental network (FoE International).

In 2005 Rocholl set up his own private consultancy in Berlin.

**Dr. Stefan Giljum,** born in 1972, received an interdisciplinary master in “Human Ecology and Environmental Economics” from the University of Vienna and the University of Economics, Vienna and a doctoral degree in “Social Ecology” from the University of Vienna. He participated in the Young Scientists Summer Programme (YSSP) at the International Institute for Applies Systems Analysis (IIASA) and was visiting scholar at the Universidad de Chile in Santiago and at the University of Keele, UK. He works and publishes in the fields of economic-environment modelling, sustainable development indicators, resource use policies as well as on north-south relations, international trade, and environment.

Since 1999, he works as researcher at the Sustainable Europe Research Institute (SERI) in Vienna, a Pan-European think tank exploring sustainable development options for European societies. Stefan Giljum is leading the research areas “Natural resource use” and “Europe’s global responsibility” (more information on www.seri.at).

**Kai Schlegelmilch**, born in 1965, trained as bank clerk and political economist, has worked for the Wuppertal Institute (1993-1998), the European Environment Agency in Copenhagen (1996-1997), the German Bundestag (1998-1999) and since 1999 for the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. Here he has worked in the Division "Climate Change Programme of the Federal Government, Environment and Energy" where he was particular in charge of the Ecological Tax and Fiscal Reform. Since February 2006 he is working in the EU coordination unit of the Environment Ministry. In his former capacity he has negotiated the EU energy tax directive in Brussels between 1999 and 2003. Since 2001 he is Vice-President of Green Budget Germany (GBG; Förderverein Ökologische Steuerreform - FÖS).

Green Budget Germany supports the development of an Ecological Tax and Fiscal Reform (ETR) in Germany. GBG published several memoranda on ETR. GBG is publishing a free quarterly German and an English newsletter on ETR and is organising many events on ETR on national and international level. www.foes.de.

Kai Schlegelmilch has written this publication in his capacity as Vice-President of Green Budget Germany.

Aachen Foundation

The **Aachen Foundation** is a politically independent, private and operative non-profit organization based in Germany (full name: Aachener Stiftung Kathy Beys). The foundation is focused on resource productivity and dematerialisation the benefits of which it communicates to different target groups such as SME, politicians and interested public. It does so by using different communication tools.

The foundation sees strong evidence that only a dramatic increase of resource productivity by a

factor X can help to maintain the life sustaining ecosystem´s services. Our present lifestyle exceeds the carrying capacity of the earth and thus cannot be sustained. Sustainable development demands a quantum leap in present resource productivity. Competition and innovation can lead us there.

www.aachener-stiftung.de

www.faktor-x.info

Contact: Stephanie Weis-Gerhardt

weis-gerhardt@aachener-stiftung.de