



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



Int. Stakeholder dialogue Growth in Transition – Sustainable economic and social concepts  
16 January 2-14, Brussels

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Key question: **What kind of economic/ social system(s)** should we strive for as follow-up of the one(s) that caused/allowed the crises?

Currently: Different approaches, mixed signals

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

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## Does it matter which economy we are developing?

Yes! Because

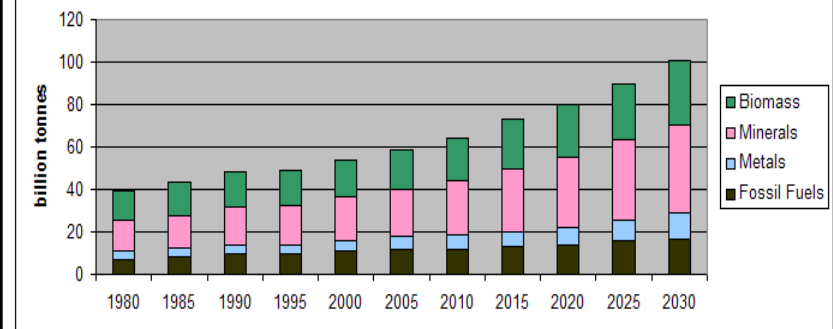
- We have 7 billion people and many are aspiring to and reaching the lifestyle of the West over the next years.
- Over 20th century, global increase of fossil fuel use x12 and material extraction x8
- Demand for food, feed and fibre may increase by 70% by 2050
- 60% of world's major ecosystems that help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

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## Growing Resource Use

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



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



**We cannot go on as we are**

**so:**

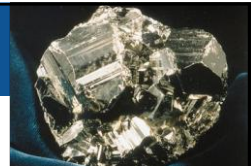
**How can we make the green economy work?**



## **Resource Efficiency**

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

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**Natural Capital:**  
minerals-fuels-biomass

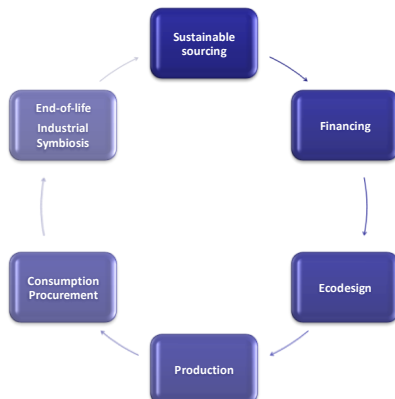


ecosystems–biodiversity  
– water – land and soils  
– air – marine resources





## Circular Economy



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## Tensions: the Political Economy of "Green"

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

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

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



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

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

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

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Making the environment  
part of the solution:

## Greening the 2014 European Semester



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

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

Also mentioned in the AGS:

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

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## Potential for greening economic governance: examples

### *I. Pursuing differentiated, growth-friendly fiscal consolidation*

#### *Environmental fiscal reform:*

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

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

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## Potential for greening economic governance: examples

### *II. Promoting growth and competitiveness for today and tomorrow*

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

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

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## Potential for greening economic governance: examples

### *III. Tackling unemployment and the social consequences of the crisis*

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

*e.g. new study on water and economy*



## Potential for greening economic governance: examples

### *IV. Modernising public administration*

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





# Governance of greening the economy



**What? (substance)**

**How? (governance)**



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

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



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

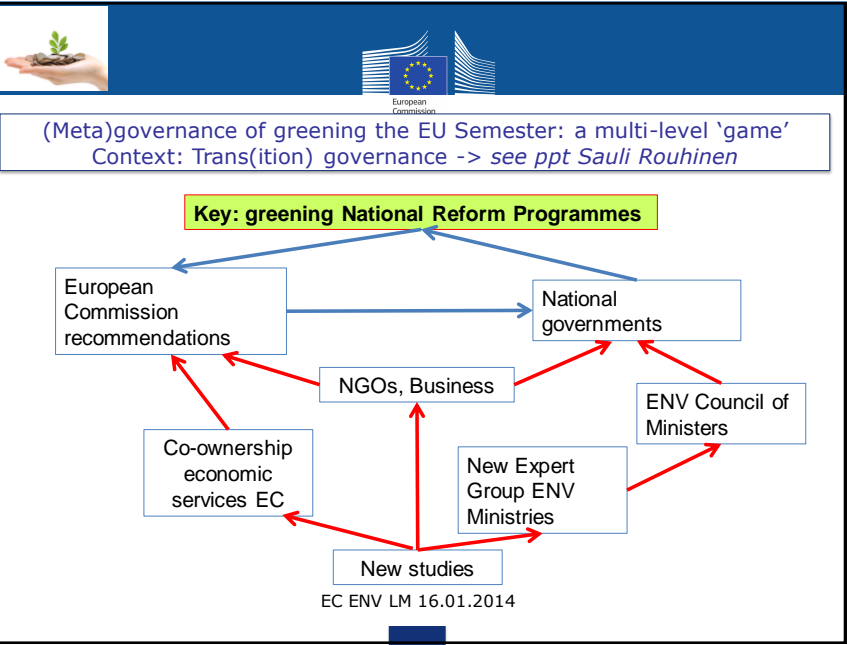


**2. Developing win-win agreements/alliances within our organisations and with other actors (Member States, stakeholders)**



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

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**Developing win-win agreements/alliances: potential**

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

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## Better policy coherence: examples (1)

### 7<sup>th</sup> Environmental Action Programme (20 November 2013)



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

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## Better policy coherence: examples (2)

### Cohesion Policy 2014-2020 and the Semester

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

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### Better policy coherence: examples (3)



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

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

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Thank you for your attention!

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

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

The screenshot shows the European Commission website for the 'Greening the European Semester' initiative. At the top, there is a navigation bar with 'ENVIRONMENT' and sub-sections like 'Home', 'What's new', 'Policies', 'Integration', 'Funding', 'Law', 'Resources', and 'News & Events'. The main content area is titled 'Greening the European Semester' and includes an 'Introduction' section. A photo of a man in a suit is visible. Below the introduction, there are three columns: 'Latest News', 'Best Practices', and 'Events'. The 'Latest News' column mentions a meeting on 28 November 2013. The 'Best Practices' column mentions a business meeting in Wiltshire, England. The 'Events' column lists a stakeholder dialogue on 16.01.2014 and a launch event on 13.02.2014. On the left side of the page, there is a sidebar with 'About Greening the European Semester', 'Expert group', 'Knowledge Network', and 'Search here'. A Twitter link is also present.

[http://ec.europa.eu/environment/integration/green\\_semester/index\\_en.htm](http://ec.europa.eu/environment/integration/green_semester/index_en.htm)

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