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**Informal Meeting of Environment Ministers on “Environment – Innovation – Employment”,
1 – 3 June, 2007, Essen**

Presidency Summary

The Environment Ministers of the Member States of the European Union, the Environment Ministers of the candidate countries, the EFTA countries and the European Commission, represented by Commissioner for Energy Andris Piebalgs and Director-General of DG Environment Mogens Peter Carl, held an extensive debate on the main challenges and opportunities in the field of environment – innovation – employment during their informal meeting in Essen on 1 - 3 June, 2007. The Ministers’ discussions received valuable contributions from the European Parliament, the European Environment Agency, the European Environmental Bureau and the Executive Director of the United Nations Environment Programme (UNEP), Achim Steiner.

The President of the Environment Council, Mr. Sigmar Gabriel, summarised the discussions as follows:

1. Based on initiatives of former presidencies, new reports and studies on market potentials, the Ministers acknowledged that environmental technologies and eco-innovations are one of the strongest pillars of Europe’s economy. A recent analysis confirms that eco-technologies in 2005 constituted a world market volume of 1,000 billion EUR. The Ministers noted that the demand for ecologically sound and resource-efficient goods is growing rapidly. As population increases, globalisation continues and more and more technologically advanced countries compete over growth and employment, the ability to serve green markets will clearly become a crucial element of economic success.

The Ministers observed that for European industry, ambitious environmental policy is not only an opportunity but an imperative. However, other countries are catching up, realising their needs for applicable efficiency technologies and innovations. Given this increasing threat the Ministers encouraged Europe to take substantial action to ensure that it retains its leadership position in eco-efficient technologies. In this context, the European Ministers emphasised that global ecological progress will only be successful in close partnership with the developing countries.

2. The Ministers emphasised that efficient and ambitious environmental policy is an essential part of modernising the economy. Environmental policy must provide industry with demanding environmental standards that provide an ambitious benchmark for innovation. In addition to this strong regulatory core, Europe needs a policy mix of different instruments that support the innovation process on a broad basis.

The discussion also highlighted the fact that environmental and resource protection plays an

increasingly important role with respect to competitiveness. Protecting biological diversity is not only essential from an ecological perspective. A high level of biodiversity is also an important resource for innovation and for economic and social development. Eco-innovations will thus become a key driver of growth, competitiveness and employment. The Ministers noted that markets need guidance and incentives to tap into the potential of eco-efficient technologies. Only continuously striving for eco-efficient innovations in all industrial sectors will ensure a leading position for Europe among the global competition, and provide an appropriate response to global environmental problems.

3. The Ministers recalled the March 2007 European Council Conclusions. The European Council has committed itself to a 30% reduction of greenhouse gas emissions by 2020 compared to 1990, if other developed countries contribute correspondingly and to an unconditional 20% reduction independent of international negotiations; an increase of energy efficiency by 20% and a binding target of 20% renewable energies, including 10% from biofuels. The Ministers also discussed the European Council's objective of transforming Europe into a highly energy-efficient and low greenhouse-gas-emitting economy, the call on Member States to promote eco-innovations through an 'ambitious approach,' and the invitation to the European Commission to present proposals for achieving an 'integrated strategy for the promotion of eco-innovation' early in 2008.

Building on this, the Ministers underlined the need for concrete measures. In their view a comprehensive strategy for ecological modernisation requires contributions from a range of different policy areas, including environmental policy, but also policy areas like energy, trade, industry, research, transport and budget. It will only be possible to meet the economic and environmental challenges that lie ahead with a comprehensive approach. This comprehensive approach could be characterised as 'ecological industrial policy' for Europe.

4. In this regard, the Ministers discussed the **need for a systematic review of key EU policies** to hasten the mainstreaming of eco-efficient innovation. A scanning process should be initiated to identify how existing EU policies, strategies, programmes and measures can be adjusted so that they support – or at least do not hinder – the efforts to foster eco-innovations. This scanning process could provide a key analysis as background for the envisaged integrated strategy for the promotion of eco-innovation as called for by the 2007 Spring European Council.

5. The Ministers emphasised the opportunity of the envisaged **revision of EU industrial policy**, as well as a **new perspective of the Lisbon strategy** for the promotion of eco-innovations in the EU. The revision of EU industrial policy should focus much more on energy- and resource-efficiency in Europe, promote eco-innovation and accelerate the uptake of environmental technologies in all industries. More emphasis should be placed on the promotion of the European environmental goods and services industry to boost its position globally. The revised industrial policy should also lead to more sustainable production and consumption patterns. The forthcoming EU Action Plan for Sustainable Production and Consumption should be the main tool for achieving this and industrial policy should support it.

The specific objectives of Lisbon can only be reached through the rapid development of eco-innovations. This must also be reflected in Europe's industrial and competition policies. In light of the challenges posed by climate change, Europe's efforts to become the world's most competitive economy need to be adjusted. Tomorrow's economic competitiveness will, to a large extent, be based

on energy and resource efficiency. Europe's ability to develop appropriate technological solutions will determine its economic position in the world. The key to future jobs, growth and wealth, as well as to protecting the environment, will be fast and efficient eco-innovation. This requires strong environmental regulation combined with a broad range of other policy measures.

The upcoming revision of the Lisbon guidelines should be seen in this light. Economic stability and economic and fiscal sustainability, for instance, cannot be achieved without major advancements on energy and resource efficiency. In that context the European Council could confirm such a **new view on Lisbon** at its meeting in Spring 2008 and highlight its importance for the formulation of current and future implementation strategies for Lisbon.

6. The Ministers discussed a number of different **policy instruments** which support the innovation process and which could contribute to the integrated strategy for the promotion of eco-innovation. The Ministers especially highlighted:

- **European top runner:** Europe needs a new generation of environmental regulation with dynamic standards that provide a strong market push for eco-efficient innovation.

For certain product groups with high ecological impacts, like energy-consuming appliances, continuous competition for the best performance should be set up by regularly reviewing and honouring those standards that are the best in terms of resource efficiency. The revised EuP Directive could be a good basis to establish such dynamic product standards. Therefore the EuP Directive should be substantiated with ambitious standards and effective measures.

Furthermore, the scope of existing eco-design regulations could be extended to include non-energy consuming products and complemented with approaches like top-runner (with regard to resource efficiency, content of hazardous substances, noise, recyclability and biodegradability etc.); including the link to the eco labelling for benchmarking best performing products.

- **Economic instruments:** A stronger use of economic instruments at both EU and national level is desirable to create the market-based push-and-pull that brings about more radical technological shifts. Further harmonisation of energy taxation was also discussed. The phasing-out plan for environmentally harmful subsidies and its implementation as reaffirmed in the renewed EU-SDS is urgently required. The Ministers expect further proposals for economic instruments in environmental policy by the European Commission based on the outcome of the consultation on the Green Paper on Market-based Instruments. The Commission could also foster integration of the true environmental costs of products and services into the market, a process known as "getting the prices right". The Commission can facilitate further discussion and implementation by co-ordination of experiences in the member countries in a "Forum on market-based Instruments".

The Ministers discussed the draft presented by the Commission at the end of May 2007 on new Community guidelines on State aid for environmental protection. There was agreement that this draft requires even more intensive consultations, in particular regarding the promotion of renewable energies and energy efficiency. The Ministers stressed that the decisions on climate and energy policy of the European Council from March 2007 must be the fundamental benchmark for these **guidelines**.

- **Emissions trading is** proven as a successful instrument to foster energy efficiency of power generation and industrial plants. A prerequisite is a well functioning European Emissions Trading Scheme. In the context of the ongoing review of the ETS directive, several improvements are fundamental for the time after 2012. Allocation methods should be more harmonised. Auctioning and benchmarking should be used instead of grandfathering. The process of setting caps should be made more transparent, the EU ETS should generally be strengthened and broadened. The inclusion of air traffic in the emission trading is an important step for climate protection and eco-innovation in this sector.
- The Ministers confirmed that the **Environmental Technology Action Plan (ETAP)** has led to substantial progress in a number of areas, but much needs to be done to strengthen the process further. It will be important to create better links between ETAP and the development of environmental regulation in the EU in order to give eco-efficient innovations a fair and competitive market perspective and strengthen the European position on the future markets. New regulatory measures should be accompanied early on by targeted actions to promote research and diffusion of appropriate eco-technologies for which ETAP could provide both the impetus and the coordination. ETAP should be further developed to give guidance on the decision making regarding financing of market introduction of eco-technology in the Competitiveness and Innovation Framework Programme (CIP).
- **Green Public Procurement (GPP):** Public authorities in Europe have a purchasing power equivalent to 16% of the EU's gross domestic product. By buying green products they can help eco-technologies break into markets in a decisive way. The EU Member States are encouraged to support the EU Commission's endeavours in this field with respect to proposals for national targets and objectives. Guidance regarding tender for procuring environmentally best performing goods and services should be developed and initiatives for green private sector supply chains should be promoted.
- Based on the recent conclusions of the Competitiveness Council, the EU should create and support **green lead markets**, which set technological standards and foster innovations. Creating lead markets requires long-term and ambitious policies as well as technological leadership. R&D policies, industrial policies and environmental policies have to be coherent in promoting such markets.
- An important area of action is developing **sustainable energy technologies**. The current research policy, which focuses the research funding primarily on nuclear fusion, should be reviewed. There is high potential for innovations as well as a rising demand for products and technologies in the areas of efficiency, renewable energies, clean carbon technologies, storage technologies, in particular hydrogen, and an innovative electricity grid. This should be reflected in a better allocation of research funds.

7. Based on the successes of the European social model, the Ministers emphasised that joint efforts of policy makers from all areas are needed to succeed in mastering the ecological challenges ahead of us and make the EU not just the most competitive economy, but also the most resource-efficient and innovative economy in the world. This new agenda for Europe implies nothing less than a new industrial revolution over the next 10 to 15 years.