



Back from the Brink

As the environmental prospects for 2012 start to unfold, the mood has been more of apprehension than expectation. On several fronts there is concern that environmental ambition will collide with fears about economic competitiveness and that regulation in particular is potentially in conflict with enterprise. This is not surprising in the face of an economic downturn and in the aftermath of Durban where the major OECD economies outside Europe declined to participate in a new binding international agreement on climate change until 2015 or, effectively, 2020. Within the EU, the carbon market has been in disarray and the reaction of environment ministries to the Commission's pivotal Resource Efficiency Roadmap in December was lukewarm, demonstrating little appetite to grasp what must be an inescapable agenda.

Negotiations on the proposed new Treaty on greater fiscal discipline have underlined a vision in which austerity and reduced public expenditure have eclipsed any recognition of sustainability as a long term necessity. This echoes experience in the tracking of reform programmes under the Europe 2020 process where environmental headline indicators, such as those for climate, have received short shrift. The EU has a number of levers at its disposal to lead a transition to a green economy, including the forthcoming budget for beyond 2014; it is not being bold enough to use them.

While these circumstances are far from ideal, at least the ground is cleared for a robust argument about the place of the environment in a new economic era. Reviews of EU environmental policy will come in quick succession, starting with the Water Blueprint this year and moving on to air pollution in 2013. The Resource Efficiency Roadmap has created a foundation on which half a dozen initiatives could be built quite rapidly. DG Clima is contemplating ways of re-launching the objective of a 30 per cent cut in EU emissions of greenhouse gases. The debate on what the EU should be aiming for in the next decade will need to be clarified as the foundations for the forthcoming Seventh Environmental Action Plan are put in place during the year. The focus on fiscal policy in the new Treaty raises questions about a fresh initiative on environmental tax reform as well as on environmentally harmful subsidies, both priorities where progress has slowed down in recent years.

The arguments will need to be strong and well articulated. The economic strands in the policy web are increasingly muscular but cut both ways. Some sectors of industry, such as renewable energy, depend on strong environmental policy to create opportunities and market shifts and argue actively for forward looking regulation. The environmental community needs to reflect on the new context and to develop a coherent narrative to energise the next stage in the debate. In this sense, 2012 provides a second chance to move forward from the current stasis.

David Baldock, Executive Director IEEP

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Reducing the impacts of biofuels on biodiversity

There is mounting concern that increasing biofuels production, triggered in part by the EU's 10 per cent target for renewable energy in transport by 2020, is having significant biodiversity impacts. A recent study by the International Food Policy Research Institute estimated that achieving the target would lead to a global increase in cropland of more than 17,000 square km, primarily in Brazil, sub-Saharan Africa and former Soviet Union countries. Many of these countries are particularly rich in biodiversity.

The EU Renewable Energy Directive (RED) does include sustainability criteria in an attempt to avoid the production of biofuels in highly biodiverse areas. However, a major flaw is that such criteria only apply to biofuels. Therefore although the RED prevents a landowner clearing

high biodiversity value land to grow biofuels, it does not stop him clearing the land for another crop that he already grows and then growing biofuels on the vacated land. Such indirect land use change (ILUC) is difficult to measure, but it is thought to be significant in terms of biodiversity and greenhouse gas emissions.

IEEP is starting two projects that will attempt to identify policy measures to avoid or mitigate biofuel-related ILUC impacts on biodiversity. One study, for Defra and led by BIO Intelligence Service, will assess the effectiveness of a range of measures that might reduce ILUC. These include promoting the use of feedstocks with little ILUC effect (e.g. true wastes), land use zoning, and reducing the need for cropped land by increasing yields and/or reducing the demand for land-intensive products (e.g. meat).

All of the measures that can reduce ILUC impacts are challenging, but the development of land use zoning may be the most practical. IEEP is investigating this policy option for WWF Germany as support for their SuLu project, which is testing the feasibility of mapping suitable and unsuitable areas for biofuels in Indonesia and Columbia. IEEP will examine the potential for linking such maps to RED biofuel sustainability assessments, but also other agricultural commodities to reduce ILUC. The findings will be discussed at a workshop at the IUCN General Assembly in Korea in September (see [IEEP Events](#)).

The reports from both projects should be available around September 2012.

Contacts: [Graham Tucker](#) and [Bettina Kretschmer](#)

Exploring the potential of new financial instruments for climate change

A major and sustained increase in investment is needed for the EU to move towards a low-carbon economy. With limited additional financing expected from the public purse, attention is turning to ways to unlock the investment potential of the private sector, including through new financial instruments. In discussions on the future EU budget such instruments are being promoted as a means of attracting additional public and private financing at a time of fiscal constraint. If well designed and targeted, these instruments could offer significant

opportunities for bridging the climate financing gap.

However, expectations should be realistic. The use of such instruments is still a niche area in the EU and there seems to be a discrepancy between what stakeholders expect and what these instruments can actually deliver. While efforts are needed to increase the scale of spending on climate change, overall spending should not undermine EU climate objectives; policy and regulatory signals are needed to ensure these instruments do not lock in carbon-

intensive technologies and infrastructures.

A new report by IEEP on '[Mobilising private investment for climate change action in the EU: The role of new financial instruments](#)' contributes to ongoing discussions on the use of new financial instruments. It examines practical experiences in the use of such instruments, the Commission's proposals for new financial instruments in the post-2013 EU budget, and potential opportunities and caveats for their use. Our analysis concludes that the current political and regulatory framework

conditions are not suited to creating significant new impetus for climate-related funding through these instruments. This is even more the case because the budget underpinning these instruments, in particular those relevant for climate purposes, is rather small. However, there is a perceptible change in thinking and with further efforts this could lead to a ramping-up of such instruments to create more leverage for climate-related investments.

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New assessment of the overall benefits of Natura 2000

The prime focus of the Natura 2000 protected area network is on the conservation of biodiversity, the EU's unique and endangered ecosystems, species, gene pool and habitats. Natura 2000 also provides a range of benefits to society and the economy via the flow of ecosystem services which support policy objectives beyond biodiversity, such as climate change mitigation and adaptation, water quality and provision, food provision and jobs.

A recent report led by IEEP provided the European Commission with a methodological framework for assessing the economic value of the benefits provided by Natura 2000, carried out a first assessment, and recommended a way forward for future assessments.

The report estimated the value of the services flowing from the ecosystems within the Natura 2000 network

on the basis of existing data from sites and habitats, using a value transfer method. This allowed for a first illustrative estimate to be developed, with the services flow being valued at between €200 and €300 billion per year. Furthermore, an ecosystem-service analysis



helped identify some preliminary values for a sub-set of services. For instance, it was estimated that the Natura 2000 network currently stores around 35 billion tonnes of CO₂; this stock value was estimated to be worth between €600 billion and €1,130 billion. Preliminary trial monetary assessments

were also carried out for water provision and purification, natural hazards management, pollination and food provision.

It is clear that only a few ecosystem services can currently be quantified and valued, given limitations in data and methodology.

However, with additional investment in data and analysis, it is expected that a fuller and more robust assessment of the benefits of Natura 2000 can be achieved for some services by 2014 and for a wider range of services by 2020. These dates correspond to the two milestones for valuation, the first under

the EU biodiversity strategy and the second under the CBD Aichi targets. The study also presented a 'road map' of how different valuation approaches can be used and improved in the future, in order to stimulate future research and increase the awareness of the value of Natura 2000.

The full study will soon be available in the European Commission's and IEEP's websites, while some of its key results can already be found in the recent Commission Staff Working Paper 'Financing Natura 2000'.

The benefits of Natura 2000 in terms of tourism and recreation value, as ecosystem service values from conservation measures were also calculated in two parallel studies and will similarly soon be available from the European Commission's website.

Contacts: [Patrick ten Brink](#) and [Samuela Bassi](#)

Trading quota under the new Common Fisheries Policy

European policymakers are currently engaged in a once-a-decade opportunity to plot the future course of European fisheries. Arguably the most controversial element of the Common Fisheries Policy (CFP) reform proposal is the mandatory introduction of transferable fishing concessions (TFCs) within EU Member States.

Many stakeholders have concerns about TFCs. Certain stakeholders argue that the introduction of transferable user rights or exploitation concessions (as opposed to property rights) is a confirmation that the State

is the owner of the resource and may impose restrictions on its use. Others describe the move as virtual privatisation of the oceans, arguing that market forces will not support conservation objectives.

Concerns have also been raised relating to the specific design of the measure. This includes the fear that transferability will lead to concentration of the right to fish in even fewer hands, particularly the large scale fleets; or that conservation objectives will not be prioritised.

IEEP is continuing to play an important

role in facilitating a dialogue on TFCs, for example through the publication of a themed edition of *El Anzuelo* and subsequent meetings with groups of stakeholders to explore concerns about this prominent element of the reform package. The themed edition of *El Anzuelo* contains a series of articles by NGOs, economists and independent experts on the issues relating to the implementation of TFCs in Europe.

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Step change needed to meet agriculture-related 2020 biodiversity targets

The Common Agricultural Policy (CAP) plays a central role in maintaining and enhancing biodiversity associated with agriculture, particularly by supporting environmental management, for example through the agri-environment measure. However, more needs to be done if the new target to halt the loss of biodiversity and the degradation of ecosystem services in the EU by 2020 is to be met.

A recent IEEP study for DG Agriculture, based on a thorough review of the relationship between agriculture and biodiversity

and related policies, identified six key actions to improve the integration of biodiversity concerns into the CAP:

Full implementation and adequate enforcement of the legislative framework underpinning the protection of Europe's biodiversity, to provide a foundation for other policies;

An increase in policy and political commitments to achieving biodiversity goals and targets in relation to agriculture;

Fuller integration of EU biodiversity priorities into all parts of the CAP, and translation of these

priorities into meaningful actions in Member States;

A Substantial increase in funding for biodiversity measures through the CAP;

Improvements to the design and implementation of CAP measures to ensure they: address concrete priorities, resolve issues with the eligibility of semi-natural habitats for CAP payments, give more emphasis to advice and support, encourage innovation in fostering sustainable land management, and increase the area over which agricultural biodiversity is delivered; and

Full recognition of the essential role of monitoring

and evaluation in the development of effective and efficient policy instruments.

It is hoped that the study's recommendations will be taken into account during negotiations on the proposals for the 2014-2020 CAP, so that it can play its part in achieving the step change needed to achieve biodiversity goals by encouraging farming practices more conscious of their impact on species and habitats.

For further information, contact [Jana Polakova](#)

Climate and biodiversity proofing the EU Budget

The need to better integrate climate change and biodiversity considerations into the EU Budget has been recognised in the form of two IEEP-led projects commissioned by DG Environment and DG Clima.

The project for DG Clima aims to climate proof expenditures under Cohesion Policy and the Common Agricultural Policy (CAP). It will look at spending practices under these funds and assess the sustainability of investments with regards to the threats from climate change. The project will therefore assess the costs and benefits of different adaptation options within specific policy fields funded through Cohesion Policy or the CAP. These findings will feed into the development of revised technical guidance documents, assemble information

on capacity needs and gaps, and provide a platform for strengthening stakeholder interaction.

The project for DG Environment is a background study to identify biodiversity proofing objectives and

particularly harmful for biodiversity. The study will bring forward a range of tools that can help to minimise negative biodiversity impacts across the whole cycle of programming and implementation of EU funds for the next financial period 2014-2020.



Photo credit: Hannah Lee

Both projects will play a significant role in developing further the concepts of climate and biodiversity proofing, as well as providing the evidence base for their appropriate application in EU funds. As such they will play a key role in the ongoing discussions on how to phase out environmentally harmful subsidies in the EU.

tools, and develop a framework to avoid or mitigate the negative impacts of EU funding on biodiversity. The main objective is to define an approach, screen and analyse a selection of the most important EU funds, and identify expenditure patterns which are

Both projects are due to conclude in summer 2012.

Contacts:

Climate proofing – [Peter Hjerp](#)

Biodiversity proofing – [Sonja Gantioler](#)

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For questions concerning IEEP or the content of the Manual please contact Camilla Adelle: cadelle@ieep.eu

IEEP CONFERENCES AND EVENTS

In the coming months IEEP is organising and/or participating in a number of meetings and events. To find out more, do not hesitate to contact us.

Environmental mainstreaming in the Falkland Islands – Stanley (Falkland Islands), 27-29 March 2012

IEEP is carrying out a study for the Falkland Islands Government, through JNCC and with FCO funding, that aims to determine how existing institutions and decision making processes in the Falkland Islands can be used to integrate environmental issues into decision making. This stakeholder workshop will identify the main needs for environmental mainstreaming and the gaps and barriers to be overcome. Attendance is by invitation only.

Management of farmland in Natura 2000 sites – European Commission, Brussels (Belgium), March 2012

This event is part of a study, led by the N2K Group Ltd for DG Environment, that is developing guidelines for management of farmland with Natura sites. The workshop will review information on the main factors affecting habitats and species in Natura sites and identify their management needs. A further workshop will take place later in 2012. Please contact Graham Tucker if you are interested in attending.

Limiting biodiversity impacts from biofuels through land use mapping and certification schemes – IUCN Congress, Jeju (Korea), 6-15 September 2012

As part of a study for WWF, IEEP will run this specialist workshop. Experts will share lessons learnt from initiatives that aim to use land use mapping and certification schemes to limit direct and indirect biodiversity and ecosystem service impacts from the production of biofuels, biomass and other agricultural commodities. Attendance is by invitation only.

Please contact [Graham Tucker](#) if you are interested in any of the above events.