ENVIRONMENTAL POLICY IN THE EUROPEAN SEMESTER: ASSESSING PROGRESS TO DATE

A report for the Greens/EFA Group in the European Parliament

Final report

The Greens | European Free Alliance
in the European Parliament

ENVIRONMENTAL POLICY IN THE EUROPEAN SEMESTER: ASSESSING PROGRESS TO DATE

A report for the Greens/EFA Group in the European Parliament
Prepared by: Institute for European Environmental Policy (IEEP)

Production: Micheline Gutman
Cover pictures: © Shutterstock

Contact:
Reinhard Bütikofer
European Parliament
Rue Wiertz 60
1047 Brussels
Belgium

E-mail: reinhard.buetikofer@europarl.europa.eu
Tel.: +32 (0) 2 28 31620
Fax: +32 (0) 2 28 49816

Social networks:
Facebook: http://www.facebook.com/r.bueti
Twitter: @bueti

ENVIRONMENTAL POLICY IN THE EUROPEAN SEMESTER: ASSESSING PROGRESS TO DATE

A report for the Greens/EFA Group in the European Parliament

Final report

Prepared by:
Institute for European Environmental Policy (IEEP)
Quai au Foin, 55 – B-1000 Brussels – Belgium

16 December 2013

Institute for European Environmental Policy

The Greens | European Free Alliance
in the European Parliament

Disclaimer: The arguments expressed in this report are solely those of the authors, and do not reflect the opinion of any other party.

The report should be cited as follows: Withana, S., Kretschmer, B., Farmer, A., (2013), Environmental policy in the European Semester: Assessing progress to date, A report for the Greens/EFA Group of the European Parliament, Final report, Institute for European Environmental Policy (IEEP), London/Brussels, December 2013.

The authors would like to thank Louis Meuleman (DG Environment) and Roderick Kefferputz (European Parliament) for their contributions to the study.

Institute for European Environmental Policy
London Office
11 Belgrave Road,
IEEP Offices, Floor 3
London SW1V 1RB
Tel: +44 (0) 20 7799 2244
Fax: +44 (0) 20 7799 2600

Brussels Office
Quai au Foin / Hooikaai, 55
B- 1000 Brussels
Tel: +32 (0) 2738 7482
Fax: +32 (0) 2732 4004

The **Institute for European Environmental Policy (IEEP)** is an independent not-for-profit institute. IEEP undertakes work for external sponsors in a range of policy areas. We also have our own research programmes and produce the Manual of European Environmental Policy (http://www.europeanenvironmentalpolicy.eu). For further information about IEEP, see our website at http://www.ieep.eu or contact any staff member.

TABLE OF CONTENTS

LIST OF ABBREVIATIONS

AGS	Annual Growth Survey
AMR	Alert Mechanism Report
CSRs	Country-specific recommendations
CEU	Council of European Union
EC	European Commission
EHS	Environmentally harmful subsidies
EP	European Parliament
ESI	European Structural and Investment Funds
ETR	Environmental tax reform
GHG	Greenhouse gas emissions
GDP	Gross domestic product
MEPs	Members of European Parliament
MS	Member States
NRPs	National Reform Programmes
RES	Renewable energy sources

KEY MESSAGES

The European Semester was introduced in 2010 as a mechanism of economic and fiscal policy coordination, bringing together reporting under the Europe 2020 Strategy with reporting under the Stability and Growth Pact. It offers a novel and potentially powerful tool through which to monitor Member States' progress on various issues, including environmental issues, and recommends improvements to better align national efforts with EU policy objectives.

Given the economic and financial context over the past three years, ensuring a successful exit from the economic crisis has been the dominant focus of the European Semester process to date. Although some environmental issues are covered in country-specific recommendations (CSRs), in particular environmental tax reform, energy (and electricity) and transport infrastructure, renewable energy and energy efficiency, better energy market design, and progress towards GHG emission reduction targets; others such as biodiversity, recycling, eco-innovation, air pollution, water management, and waste are side-lined or entirely absent.

The narrow focus of the European Semester process to date is perhaps not surprising given the overarching political priorities of recent years. However, the European Semester is a tool to implement the Europe 2020 Strategy which includes climate change, energy and resource efficiency related objectives. The focus of the process to date has ignored these wider objectives which are also firmly embedded in the EU environmental acquis. Thus, there is scope for further 'greening' the European Semester process to better support environmental objectives as set out below:

> To date, the European Semester process has lacked comprehensive consideration of environmental measures whose importance is recognised in the Europe 2020 Strategy, including in the area of resource efficiency. There is therefore a need for a **wider interpretation of the priority areas set out in the Annual Growth Survey (AGS)**. For example, the priority of *'Growth and competitiveness for today and tomorrow'* could start to focus more on 'tomorrow' including actions need for the transition to a low-carbon, resource efficient, circular economy. In addition, one could envisage environmental issues becoming one of the priority areas explicitly covered in future AGSs.

> The neglect of important wider environmental issues is also apparent in the Country Specific Recommendations (CSRs). **CSRs should provide more comprehensive coverage of environmental issues which support the objectives of the Europe 2020 Strategy**. These include for example issues related to biodiversity and ecosystem services which have been entirely absent to date, as well as wider coverage of resource efficiency related issues including water and waste management which have made brief appearances in some CSRs but with little substance or detail. This can be done in the spirit of the process to date and its focus on environmental-economic win-wins, drawing on a wide range of available evidence. At the same time, **CSRs should be made more specific** to provide stronger and clearer guidance on environment-related recommendations. A **consistent follow-up process is also important** whereby progress on previous CSRs (or lack thereof) is reflected in future CSRs. A detailed assessment of progress in implementing CSRs by Member States is expected to be presented alongside the 2014 package of CSRs and provides an opportunity to follow-up on efforts made to date.

> There is a need to **increase ownership and engagement of Member States in the process**, in particular of the CSRs. In this context, regular exchanges between Member States can be useful for discussion, exchanging best practices and mutual learning, which can support better implementation of environment-focused CSRs and provides a forum for further integrating environmental considerations in the European Semester.

> **The European Parliament** can support the further greening of the European Semester process by emphasising the need for policy coherence between the European Semester and wider EU strategic documents including the 7th Environment Action Programme and the Resource Efficiency Roadmap. The Parliament can also play a more proactive role in the process, for example drafting resolutions setting out the Parliament's key priorities for the coming year in advance of the annual presentation by the Commission of the AGS; organising public hearings on greening the European Semester; and raising these issues during regular dialogues and exchanges of views with relevant representatives of EU institutions.

> **Civil society and other stakeholders** can also support the further greening of the European Semester through greater engagement in the process, for example by actively participating in the Commission's 'fact finding missions' to Member States which take place in January-February each year. These missions provide an opportunity to get feedback from various stakeholders at the national level on progress in the country and key challenges ahead and in turn inform the development of CSRs and Commission Staff Working Documents for the year ahead.

1 / INTRODUCTION

1.1 Background

Adopted in 2010, the Europe 2020 Strategy aims to turn the EU into a smart (based on knowledge, research and innovation), sustainable (promoting a resource efficient, greener and more competitive), and inclusive (high employment, delivering economic, social and territorial cohesion) economy (EC 2010). These priorities are linked to five headline targets to be reached by 2020 on employment, innovation, climate change and energy, education, poverty and social inclusion (*see Table 1*). These targets are to be achieved through a combination of European and national action and have been translated by Member States into corresponding national objectives and measures reflective of their respective geographic, socio-economic and political situation. 'Flagship initiatives' in seven areas in which EU and national authorities should coordinate efforts are also identified (*see Table 1*). These initiatives were presented by the Commission in 2010-2011 and have led to the adoption of a series of subsequent strategies, roadmaps and measures.

Table 1: Headline targets and flagship initiatives of the Europe 2020 strategy

Headline targets	Flagship initiatives
Employment - 75 per cent of 20-64 year olds to be employed	Digital Agenda for Europe
	Innovation Union
Innovation - 3 per cent of the EU's GDP (public and private combined) to be invested in R&D/innovation	Youth on the Move
	Resource efficient Europe
Climate change and energy - Reduction in EU GHG emissions to at least 20 per cent below 1990 levels (reduction of 30 per cent if conditions are right) - 20 per cent of EU energy consumption to come from renewable resources - 20 per cent increase in energy efficiency	An industrial policy for the globalisation era An agenda for new skills and jobs European platform against poverty
Education - Reduce school dropout rates below 10 per cent - At least 40 per cent of 30-34 year olds should complete the third level of education	
Poverty and social exclusion - Reduce the number of people in or at risk of poverty and social exclusion by at least 20 million	

Source: EC 2010

To keep track of progress under the Europe 2020 Strategy at EU and Member State level, a new cycle of economic and fiscal policy coordination (known as the 'European Semester') was introduced in 2010. The cycle links reporting under the Europe 2020 Strategy with reporting under the Stability and Growth Pact (which aims to ensure financial discipline among Member States) and is closely followed by EU leaders. This annual cycle includes the preparation of an annual growth survey by the Commission, an assessment of Member States' stability and convergence reform programmes and national reform programmes, and the adoption of country-specific recommendations by the Council.

The European Semester offers a novel and potentially important tool through which to monitor EU and Member States' progress in a number of areas including certain environmental issues. It also offers the opportunity to develop targeted country-specific recommendations on how efforts could be strengthened or improved so as to better contribute to EU climate and environment policy objectives, linking these efforts with action to overcome the economic and financial crisis. While the scope of the European Semester process is somewhat limited to those environmental issues which can contribute to the objectives of the Europe 2020 Strategy, it is nonetheless a very useful governance tool which is yet to be utilised to its full potential.

1.2 Introduction to the study

This short study has been carried out by the Institute for European Environmental Policy (IEEP) for the Greens/EFA Group in the European Parliament. The study aims to assess the extent to which environmental issues have been mainstreamed in the European Semester process to date. In particular it examines the extent to which issues which contribute to the objectives of the Europe 2020 Strategy such as resource efficiency, recycling, eco-innovation, renewable energy, energy efficiency, reduction of fossil fuel subsidies, environmental tax reform etc. have been taken up in the European Semester process since 2010. This study is based on a desk-based review of relevant documentation submitted and produced under the European Semester process since its launch in 2010 to the end of 2013, supplemented with limited inputs by experts. This study was carried out between November-December 2013.

This is the final report of the study and is structured as follows:

> **Chapter 2** sets out a general overview of the European Semester process, the timeline and key deliverables and the role of the European Parliament in the process.

> **Chapter 3** provides an analysis of the extent to which environmental issues are reflected in key documentation under the European Semester process, in particular the Annual Growth Surveys produced by the European Commission and the country-specific recommendations approved by the Council. It also provides a brief comparison of Member States' progress in key thematic areas and the state of play in implementing country-specific recommendations as of November 2013.

> Based on this analysis, **Chapter 4** draws some conclusions on the extent to which environmental policies have been mainstreamed in the European Semester process and the main areas of focus to date. It also sets out some recommendations on how environmental policies can be better integrated in the European Semester process in the future and identifies which policy areas are likely to be of increasing relevance in the years ahead.

2 / THE EUROPEAN SEMESTER PROCESS

2.1 Overview

The European Semester is an annual cycle of ex-ante economic and fiscal policy coordination among the EU and its Member States. Established in 2010 as part of a wider reform of EU economic governance, the Semester brings together reporting under the Europe 2020 Strategy (which aims to turn the EU into a smart, sustainable and inclusive economy) with reporting under the Stability and Growth Pact (which aims to ensure financial discipline and the sustainability of public finances among Member States). An assessment of macroeconomic imbalances in Member States is carried out in parallel as an early warning system to prevent unsustainable macroeconomic developments (CEU, n.d.).

The European Semester aims to streamline the EU's process of economic and fiscal policy coordination, better align Member States structural reform and budgetary policies, and avoid excessive macroeconomic imbalances in countries. The first cycle took place in 2011. At the time of writing, the fourth cycle had been launched with the publication by the Commission of the 2014 Annual Growth Survey on 13 November (EC 2013a). The European Semester attracts significant political attention at national and European level and is discussed by EU leaders on a regular basis.

2.2 Timeline and key deliverables

A timeline of the European Semester process and key deliverables produced are set out below[1] and summarised in *Figure 1*:

> **November:** The European Semester cycle begins with the publication by the European Commission of its Annual Growth Survey (AGS) and Alert Mechanism Report (AMR). The AGS sets out EU policy priorities for the coming year. The AMR provides an overview of macroeconomic developments in individual EU Member States.

> **January/February:** Relevant Council configurations debate the AGS, formulate orientations and adopt conclusions. The European Parliament discusses the AGS and may publish an own initiative report. It also issues an opinion on employment guidelines.

> **March:** At the Spring European Council, EU Heads of State and Government take stock of progress under the Europe 2020 Strategy and issue guidance for national policies on the basis of the AGS and the conclusions of the relevant Council discussions. The guidelines cover issues of fiscal, macroeconomic structural reform and growth enhancing areas. The Commission also publishes in-depth reviews of macroeconomic imbalances in those Member States where the risk of such imbalances is perceived to be high.

> **April:** Member States submit their Stability or Convergence Programmes and National Reform Programmes (NRPs) which outline their medium-term budgetary policies and structural reform plans in line with the Europe 2020 Strategy respectively.

> **May:** The Commission assesses the Member State policy programmes and drafts country-specific recommendations (CSRs) for their national budgetary and reform policies.

> **June/July:** The Council discusses and agrees final CSRs which are adopted following endorsement by the European Council. Member States are invited to take into account these recommendations when drafting their budget and programmes for the following year.

The Secretary General, DG ECFIN, DG EMPL and DG TAXUD are the core Commission services that prepare the European Semester. Other DGs provide input to the process. The system is supported by regular dialogue between the Commission and the Member States. The Commission holds bilateral meetings with Member States twice a year which provide a forum to discuss progress under the Semester. Commission staff also engage in 'fact finding missions' to Member States in January-February each year which provide an opportunity to get feedback from various stakeholders at the national level on progress and challenges ahead.

In terms of how CSRs are followed-up, in theory 'warnings' could be issued to Member States that fail to respond to EU policy recommendations, as provided for under Article 121(4) of the Treaty of the EU. However it remains to be seen whether such warnings will be given and how effective they will be as they require the approval of the Council before they can be issued to the Member State concerned. In this context, the Council should act without taking into account the vote of the Member State concerned (OJEU 2012). The CSRs are also linked to funding under the European Structural and Investment (ESI) Funds. In preparing their Partnership Agreements, Member States are required to take into account the National Reform Programmes where appropriate, country-specific recommendations and relevant Council recommendations. CSRs are also expected to inform the Commission's assessment of Member State programmes under the ESI Funds.[2]

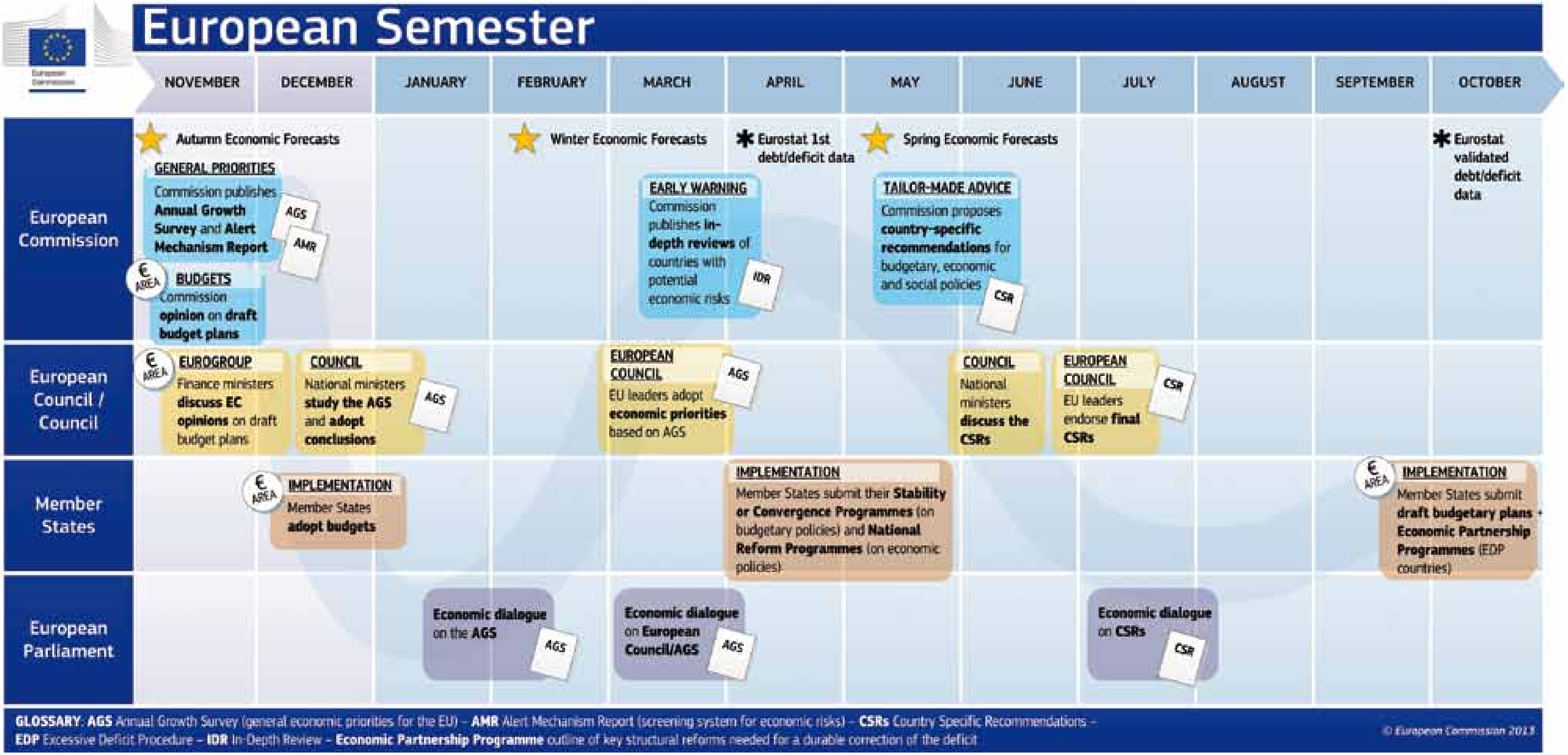
2.3 Role of the European Parliament

The European Parliament has an advisory role in the European Semester process – *see Figure 2*. In February of each year the European Parliament discusses the Commission's AGS and publishes an own initiative report expressing its opinion on the AGS. This report takes into account contributions gathered at a meeting on the European Semester with national parliaments held at the beginning of the year (EP 2013). Also in January/February, the Parliament adopts a resolution on social and employment aspects of the AGS. In late autumn, the Parliament adopts its opinion on the on-going European Semester cycle, including the CSRs adopted by the Council, taking into account the outcomes of a joint meeting with the Chairs of competent committees of National Parliaments (EP 2013).

1 This overview draws on information provided on the webpages of the European Commission (http://ec.europa.eu/europe2020/making-it-happen/index_en.htm) and the Council (http://www.consilium.europa.eu/special-reports/european-semester/how-does-the-european-semester-work) accessed on 21/11/2013.

2 Draft European Parliament Legislative Resolution on the amended proposal for a regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006.

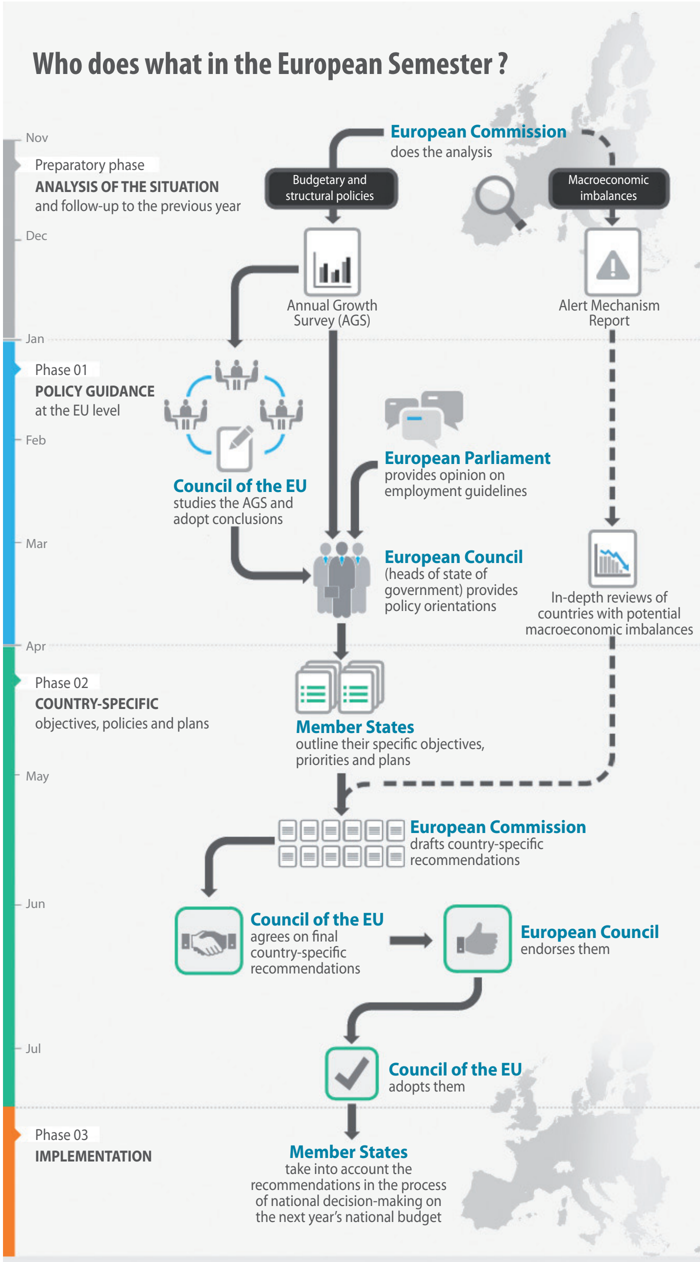
Figure 1: Overview of the European Semester process



Source: EC (2013) Making it happen: the European Semester, http://ec.europa.eu/europe2020/making-it-happen/index_en.htm

The Parliament is also involved in the European Semester process through the so-called 'Economic Dialogue' process and exchanges of views with representatives of relevant EU institutions including the Council, the Commission and the Euro Group. Individual Member States affected by a particular decision or recommendation under discussion may also be invited to such dialogues (EP 2013). As set out in *Figure 1*, these economic dialogues can take place throughout the European Semester process. Several exchanges have taken place to date including with relevant Commissioners, Council Presidencies, and Member States.[3]

Figure 2: Who does what in the European Semester?



Source: CEU (n.d.) Webpages on the European Semester – What is the European Semester? http://www.consilium.europa.eu/special-reports/european-semester

Given the importance and the potential impact of the European Semester on Member State economic policies, MEPs have been calling for more democratic scrutiny and greater involvement by parliaments and civil society in the process particularly in developing, discussing, monitoring and evaluating NRPs. In January 2013, the European Parliamentary Week on the European Semester which brought together MEPs and 100 national parliamentarians concluded that parliaments should have a greater say over EU recommendations to Member States to improve the democratic legitimacy of the process and increase citizens' trust in the process (EP 2013a). The extent to which these calls will be taken up in future European Semester processes remains to be seen.

3 See webpages of the European Parliament Economic and Monetary Affairs Committee: http://www.europarl.europa.eu/committees/en/econ/publications.html?id=ECON00009#menuzone

3 / ENVIRONMENT IN THE EUROPEAN SEMESTER

3.1 Environmental issues in Annual Growth Surveys

The Annual Growth Survey (AGS) published by the Commission in the autumn of every year are the starting point of the European Semester process. They set out the EU's broad economic priorities for the year ahead and are therefore an important signpost for both the formulation and evaluation of national policies. Concurrent with its title, the focus of the AGS is on growth-enhancing measures along with fiscal consolidation in times of economic and sovereign debt crises. Nevertheless, coverage of environmental issues can be expected given the overarching purpose of the Europe 2020 Strategy as set out in earlier sections of this report. Furthermore, a range of environmental policy measures, for example in the areas of resource efficiency, waste and water management, and eco-innovation have the potential to stimulate growth and employment, thus contributing to the objectives of the Europe 2020 Strategy..

The first survey, **AGS 2011**, focused on **three main areas** (EC 2011c, p4) under which ten priority actions were drawn up:

> the need for rigorous fiscal consolidation for enhancing macroeconomic stability;
> labour market reforms for higher employment; and
> growth enhancing measures.

The following three AGSs, **AGS 2012, AGS 2013 and AGS 2014**, set out the following **five priority areas** under which relevant actions are summarised (taken from EC 2011, p3):

> pursuing differentiated growth-friendly fiscal consolidation;
> restoring normal lending to the economy;
> promoting growth and competitiveness for today and tomorrow;
> tackling unemployment and the social consequences of the crisis; and
> modernising public administration.

Tables setting out the environmental issues addressed in the four AGSs that have been published to date are provided below. The tables also link these issues to the economic policy context they are embedded within in the respective AGSs.

Table 2 provides an overview of the environmental issues covered in the first AGS presented by the Commission which set out priorities for the year 2011 (EC 2011c). AGS 2011 was accompanied by a progress report on the Europe 2020 Strategy (EC 2011d) which reiterated some of the environmental issues mentioned in *Table 2* such as: the need to ensure cost-effective access to energy; announcing that the Commission will propose measures in the field of energy taxation; the growth and job creating potential of improving energy and transport infrastructure; and the need to ensure a well-functioning single market for environmental goods and services. A separate chapter of the progress report dealt with progress in the fields of climate action and energy policy.

Table 2: Overview of environmental issues covered in AGS 2011

Environmental issue addressed	Link to economic policy context
Call for the elimination of environmentally harmful subsidies (EHS)	Priority action 1 'Implementing a rigorous fiscal consolidation' mentioned as an example for 'unjustified subsidies'
Increase resource efficiency to generate new economic opportunities	Priority area 'Growth enhancing measures'
Exploit Europe's competitive position on environmental goods and services	Priority area 'Growth enhancing measures'
Adapt energy taxation in line with EU climate and energy objectives	Priority action 8 'Tapping the potential of the Single Market'
Announcing proposals by the Commission on project bonds enabling priority investments in *inter alia* energy and transport	Priority action 9 'Attracting private capital to finance growth'
Priority action 10 'Creating cost-effective access to energy'. Warning that not meeting the 20 per cent energy efficiency target would risk lost opportunities for growth and job creation	This priority action emphasised the economic benefits associated with completion of the internal market for energy and energy efficiency improvements

Source: Own compilation based on EC 2011c

Table 3 provides an overview of the environmental issues addressed in the AGS for 2012 (EC 2011). AGS 2012 included an annex on 'EU-level specific proposals with substantial growth potential and indicative timeline' (EC 2011a) that stressed the need to complete the EU internal market for energy and advocated for the (at the time) proposed energy savings directive as an important step to enhance energy efficiency. A self-standing annex on **growth-friendly tax policies** in Member States and better tax coordination in the EU further elaborates on 'environmentally friendly taxation' (EC 2011b). This annex set out guidelines on the design of environmental taxes, where special attention should be paid to determining their socially optimal level, keeping in mind that their main purpose is to correct environmental distortion rather than raise revenues; phasing out EHS (e.g. for energy consumption and company cars); and ensuring consistent CO_2 prices. The importance of adopting the Energy Taxation Directive is highlighted as a step towards a consistent fiscal framework in the area.

Table 4 provides an overview of the environmental issues covered in the AGS for 2013 (EC 2012). AGS 2013 covers similar issues to those addressed in previous AGSs, including ETR and EHS, picking up on the theme of resource efficiency which was also mentioned in AGS 2012, as well as noting the need to promote the green economy.

The latest AGS was published by the Commission on 13 November 2013 and sets out priorities for 2014. AGS 2014 recognises that 'recovery in Europe does not mean getting back to "business-as-usual"' noting that 'increasing resource efficiency and reducing the EU's dependence on external energy sources must be part of the EU's growth strategy' (EC 2013a). AGS 2014 sets out a number of environment related priorities as summarised in *Table 5*. More generally, AGS 2014 also notes a number of areas where further improvements are needed if the European Semester process is to deliver its full potential such as increasing national ownership of the process and ensuring better implementation of the CSRs (EC 2013a).

Table 3: Overview of environmental issues covered in AGS 2012

Environmental issue addressed	Link to economic policy context
Prioritise growth-friendly expenditures that will facilitate future growth, *inter alia* in energy	Priority area 1 'Pursuing differentiated growth-friendly fiscal consolidation'
Eliminate EHS	As above
Make taxation less detrimental to growth by shifting from labour towards e.g. environmental taxation	As above. Alluding to environmental tax reform without using this explicit term
Use new sources of revenues, such as from auctions of CO_2 emission allowances to invest in green growth and help combat climate change	As above
Better coordination of Member States efforts, *inter alia* in the field of energy taxation	As above
Resource efficiency, in particular energy efficiency and waste reduction, highlighted for its potential triple win of increasing competitiveness, creating jobs and helping the environment	Priority area 3 'Promoting growth and competitiveness for today and tomorrow'
Stressing the role of a EU digital single market for ICTs that will facilitate the roll out of smart grids, energy efficiency and renewable energy technologies	As above
Re-programme structural funds to enhance growth stimuli e.g. through energy efficiency investment programmes on household and firm level	As above
Project bonds to facilitate infrastructure investment *inter alia* in energy and transport	As above
Mention new Regulation on Guidelines for Trans-European Energy Infrastructure to reduce barriers etc.	Priority area 5 'Modernising public administration'

Source: Own compilation based on EC 2011

Table 4: Overview of environmental issues covered in AGS 2013

Environmental issue addressed	Link to economic policy context
Mentions a 'sustainable development path' and 'sustainable recovery'	Part of the high-level remarks in the introduction
Prioritise investment in sectors with growth potential, *inter alia* energy	Priority area 1 'Pursuing differentiated growth-friendly fiscal consolidation'
Need to reduce labour taxes with a potential shift towards other, including environmental taxes	As above. Alluding to environmental tax reform without using this explicit term
Phase out EHS	As above
Need for a predictable regulatory framework to promote the green economy and create new jobs; of particular relevance are energy efficiency renovation programmes and improved waste management	Priority area 3 'Promoting growth and competitiveness for today and tomorrow'
Fully transpose the third energy package to complete the EU's internal market for energy	As above
Realise job creation potential in expanding sectors, e.g. the green economy	Priority area 4 'Tackling unemployment and the social consequences of the crisis'
Call for a move towards a 'resource efficient future'	Conclusions of the AGS calling for a 'different quality of growth'

Source: Own compilation based on EC 2012

Table 5: Overview of environmental issues covered in AGS 2014

Environmental issue addressed	Link to economic policy context
Member States should ensure longer-term investment *inter alia* in energy and climate action	Priority area 1 'Pursuing differentiated growth-friendly fiscal consolidation'
Shift tax burden from labour taxes to *inter alia* taxes on pollution and reduce EHS	As above
Full implementation of the third energy package by 2014, complete the internal energy market, *inter alia* to contribute to the cost effectiveness of renewable energy support schemes	Priority area 3 'Promoting growth and competitiveness for today and tomorrow'
Promote resource efficiency by improving waste and water management, recycling and energy efficiency	As above
Improve waste and water management to exploit full growth potential of the green economy	As above
Job opportunities through greening the economy	Priority area 4 'Tackling unemployment and the social consequences of the crisis'

Source: Own compilation based on EC 2013a

Having screened the AGSs published by the Commission since 2011 for their coverage of environmental issues, it is apparent that the clear focus is on economics and more precisely on consolidating budgets and creating growth and jobs. This focus is clearly evidenced by the priority areas that the four AGS published so far set out, as summarised at the beginning of this section. In this respect, things have not fundamentally changed since Derruine and Tiedemann's analysis of AGS 2011 which pointed out that 'the priorities in the Annual Growth Survey … do not cover the complete set of EU2020 headline targets' (2011, p6), with energy and climate action not being well considered. Instead, the authors found an 'ideological bias towards fiscal consolidation as top priority' (p7).

Despite this bias, some environmental issues are mentioned in the AGS, in most cases as facilitators of growth, economic and labour market recovery. Some of the recurring environment related themes in the four AGS include:

> The **completion of the internal energy market** and the economic benefits associated with it (e.g. enhanced security of supply, lower energy prices etc.) as well as **improving energy efficiency** with potential employment and competitiveness effects;

> Developing **infrastructure in the energy and transport sectors** as growth-inducing investment, stimulating jobs in the short term and in the long term by laying the foundation for future growth;

> Reforming taxation by **phasing out environmentally harmful subsidies** and stimulating job markets by shifting taxes away from lower and towards less distorting taxes, among those environmental taxes (which would constitute **environmental tax** reform although this term is not explicitly mentioned in the AGSs presented to date); and

> Resource efficiency as well as the need to improve waste and water management; and

> The growth and job potential associated with the **green economy.**

Apart from these recurring points, it is difficult to draw any conclusions on how the coverage of environmental issues has evolved in AGSs from 2011 to 2014. While mentioning a number of pertinent environmental issues and linking these to the wider economic context; the level of detail in which identified environmental issues are discussed in the AGSs remains rather general.

3.2 Overview of country-specific recommendations

As set out in *section 2*, following an assessment of Member States' Stability or Convergence Programmes and National Reform Programmes (NRPs), country-specific recommendations (CSRs) are drafted by the Commission and subsequently discussed and adopted by the Council. These recommendations are endorsed by the European Council and are expected to be taken into account by Member States when drafting their national budgetary and reform policies for the coming year.

Annex 1 presents an overview of the extent to which CSRs adopted to date reflect environmental issues. This is based on an assessment of the CSRs adopted by the Council for each EU Member State in 2011, 2012 and 2013. Comparing CSRs over time shows that these remain fairly consistent across the years in most cases, i.e. recommendations tend to be re-iterated in following years, though not in all cases (see for example Austria and Slovenia). In some cases recommendations have become more specific over the years, for example recommendations relating to ETR in Belgium have become more focused with suggestions on specific areas environmental taxes can be introduced in the 2013 CSRs (*see Annex 1*). Where recommendations are not repeated in following years, it remains unclear whether this implies that the Commission sees sufficient policy progress in the particular field. As discussed in *section 3.4*, the Commission has undertaken a preliminary overview of progress in implementing CSRs which illustrates reforms in each Member State that have been undertaken since the launch of the European Semester process and highlights implementation gaps in light of the 2013 CSRs. This analysis is preliminary and the Commission is expected to present a more detailed assessment of progress in the 2014 package of CSRs.

Overarching Commission Communications are published alongside the CSRs. These Communications provide a broad summary of the Commission's country by country analysis. Unsurprisingly, the CSRs adopted to date largely mirror the AGSs and their focus on fiscal consolidation and measures to stimulate economic growth, without taking full account of the growth stimulating potential of environmental policy measures including in the field of improved resource efficiency. Broad reference to some environmental areas is made. The 2012 and 2013 Communications include annexes which provide an overview of the specific areas covered by the CSRs including in the area of **resource efficiency**[4] for:

4 Resource efficiency is interpreted to cover issues set out in the Resource Efficiency Roadmap.

- Belgium, Bulgaria, Czech Republic, Estonia, Finland, Lithuania, Latvia, Luxembourg, Malta, Poland and Slovakia in the 2013-2014 CSRs (EC 2013c).

- Belgium, Bulgaria, Estonia, Lithuania, Latvia, Luxembourg, Malta and Poland in the 2012-2013 CSRs (EC 2012a).

An analysis of the adopted CSRs indicates that some environmental issues have been covered to varying degrees. The environmental issues addressed in the CSRs focus primarily on the following areas:

- **environmental tax reform;**
- **energy (and electricity) infrastructure;**
- **transport infrastructure;**
- **renewable energy and energy efficiency;**
- **better energy market design (completion of the internal market, implementation of the Third Package);**
- **progress towards greenhouse gas (GHG) emission reduction targets; and**
- **a limited number of recommendations on water and waste management.**

The majority of environmental issues covered in the CSRs relate to climate change and energy. The issue of resource efficiency per se does not receive explicit attention in the CSRs beyond the coverage of environmental tax reform and some limited references to water and waste management.

More specifically, a number of CSRs relating to **environmental tax reform** (ETR) are rather general, often referring to the need to shift the tax burden away from capital and labour to less growth distorting taxes which include environment taxes among others such as property and consumption taxes. In some cases however, more specific examples of where such environmental taxes can be applied are noted. For example in relation to car taxation in Lithuania and Estonia; diesel, heating fuels and the taxation of company cars in Belgium; energy products for transport in Luxembourg; and incentives for reducing energy costs and shifting consumption to energy-efficient products, including vehicles, buildings and heating systems in Latvia. Some CSRs focus on processes to support ETR, for example recommending a review of the scope of VAT exemptions and reduced rates in Italy and conducting a systematic review of the tax system in Spain to explore the scope to *inter alia* take additional steps in environmental taxation, notably as regards excise duties and fuel taxes.

A number of CSRs discuss the need for countries to step up efforts in order to meet **GHG emission reduction targets**. These tend to be rather general, for example calling for further efforts in certain areas such as transport and buildings. Some more specific recommendations have also been made. For example for Belgium CSRs call for a clearer assignment of responsibilities between federal and regional level and for further measures to progress towards GHG emission targets in non-ETS sectors, in particular in the transport sector, while the CSR for Luxembourg recommends increased taxation on energy products to ensure that targets for reducing GHG emissions from non-ETS activities are met.

CSRs related to **renewable energy** in most cases reiterate Member State targets under EU legislation, recommending cost-effective support (e.g. Germany) in the case of renewable energy and further investments in renewable energies (e.g. Malta). In the area of **energy efficiency**, CSRs focus on improvements needed in the buildings and transport sector (e.g. Bulgaria, Estonia, Latvia, Poland), district heating networks (e.g. Latvia), and the industry sector (e.g. Czech Republic, Romania). More specific energy efficiency related CSRs have also been adopted for example the 2012 and 2013 CSRs for Lithuania recommend the removal of disincentives (such as counteracting subsidies in other policy areas that reduce incentives for inhabitants of residential buildings to improve energy efficiency); while the 2012 and 2013 CSRs for Poland recommend stepping up efforts to improve incentives for investment in energy generation capacity and energy efficiency in the whole energy chain. Some CSRs also recommend further use of EU funds, in particular the Structural Funds, to promote energy efficiency (e.g. Bulgaria, Malta, and Lithuania).

CSRs to **improve infrastructure in energy markets** (mostly electricity and natural gas) are justified on the grounds of improving competition in energy markets, improving energy security (e.g. through enhanced cross-border connections in the case of Estonia) and integrating greater amounts of renewable energy (e.g. Germany, Estonia).

A number of CSRs have been adopted recommending upgrades to **transport infrastructure** (e.g. Italy); reforms to public transport systems (e.g. Hungary); implementation of projects which favour use of public transport including the introduction of congestion charging on roads and better public transport connections with neighbouring regions (e.g. Luxembourg); timely implementation of rail projects (e.g. Poland) and the adoption of long-term strategies in this area (e.g. Romania). Interestingly the 2011 CSR for the Netherlands notes the negative impacts of inefficient transport infrastructure (in terms of congestion) and that improvements in the efficient use of infrastructure (e.g. through road pricing measures) would help increase labour mobility and productivity and thus potential growth, however this does not appear as a specific recommendation for action.

Several CSRs refer to delays in implementing the **Third Package for electricity and gas markets**, which lays the basis for the internal energy market (e.g. Belgium, Bulgaria, Cyprus, Hungary, Latvia, and Lithuania). Recommendations in this regard are sometimes quite vague simply calling for increased competition (e.g. Lithuania); while in other instances point out the need to strengthen independence of national regulatory authorities in the energy sector (e.g. Bulgaria, Hungary), upgrade infrastructure and develop cross-border energy connections (e.g. Estonia, Poland, Spain), liberalise the electricity wholesale market and develop energy interconnection capacity (e.g. France), increase transparency of tariff-setting mechanism (e.g. Slovakia) and develop a long-term strategy for improving electricity generation capacity and the quality of network infrastructure (e.g. UK).

A limited number of recommendations have been adopted that relate to **water management**. For example the 2011 CSR for Cyprus notes that energy and resource constraints could become bottlenecks for growth related *inter alia* to long droughts due to climate change and recommends the establishment of a water management plan and a price-setting scheme reflecting cost efficiency and equity concerns by 2012. A limited number of recommendations have also been adopted that relate to **waste management**. These include recommendations for environmental incentives concerning waste in Estonia. The 2013 CSR for Poland also recommends improving waste and water management although no details are provided on what should be improved besides noting that investment in water networks has been insufficient.

Those Member States with limited or no recommendations in the area of environmental policy include Member States that are commonly regarded as being relatively progressive on environmental policy matters (e.g. Austria, Denmark, Finland, and Sweden). They also include Member States such as Ireland, Portugal that are currently facing fiscal and budgetary constraints that appear to be prioritised over environmental concerns.

3.3 Comparison of Member State performances in key thematic areas

Commission Staff Working Documents which assess national reform programmes and stability or convergence programmes are issued alongside CSRs and set out *inter alia* progress on a number of green growth related indicators including macroeconomic indicators (e.g. carbon intensity, water intensity, resource intensity, environmental taxes as a share of total taxes etc.) and sectoral indicators (e.g. industry energy intensity, share of energy-intensive industry in the economy, public R&D for environment, recycling rate of municipal waste etc.) as well as security of energy supply related indicators (e.g. energy import dependency, share of renewable energy in energy mix etc.).

The Staff Working Documents provide an overview of progress towards indicators of relevance to the Europe 2020 Strategy including setting out messages on fiscal policy and taxation (including references to EHS), as well as on waste management, water pricing and infrastructure, eco-innovation, energy efficiency and air quality (DG Environment 2013). Given the scope of this study, a detailed assessment of individual Commission Staff Working Documents was not possible. However, an overview of trends in key areas is set out in thematic documents published by the Commission which analyse Member State progress in 34 thematic areas of relevance under the Europe 2020 Strategy. These documents enable a comparison of progress towards economic policy goals across Member States. The 34 thematic documents are grouped under five headings:

> fiscal policy, long-term sustainability and taxation;
> financial sector;
> promoting growth and competitiveness;
> labour market, education and social policies; and
> modernising public administration.

Out of the 34 documents, only three are dedicated to environmental topics (energy and GHG targets, resource efficiency and green jobs) and are considered in more detail below. In addition the document on taxation is analysed with respect to environmental taxation. The tone of the thematic documents is also similar to that in the AGS as they stress progress on environmental policies as a facilitator to economic recovery and employment growth.

Moreover, it remains somewhat unclear what the added value of the thematic documents is as they relate to policy fields where progress is tracked elsewhere in more detail (e.g. the biannual progress reports in the field of renewable energy[5]). Reporting under the European Semester and the related CSRs should be aligned with and not duplicate on-going monitoring processes arising directly from EU environmental legislation, i.e. monitoring in the fields of renewable energy and energy efficiency.

Energy and GHG targets[6]

This document compares Member State performance on **climate indicators**, in particular on reducing GHG emissions by 20 per cent in 2020 compared to 1990 levels. It represents recent developments towards meeting the target and assesses progress based on an EEA compilation of Member State data submitted to the UNFCCC as part of the national GHG inventories.

5 http://ec.europa.eu/energy/renewables/reports/reports_en.htm

6 Europe 2020 targets: Climate change and energy, http://ec.europa.eu/europe2020/pdf/themes/16_energy_and_ghg_targets.pdf [accessed 2/12/2013].

Energy indicators considered are Member State renewable energy shares to check progress towards the 2020 goal of an EU wide 20 per cent renewable energy share of final energy consumption, stipulated in the Renewable Energy Directive.[7] This is based on Eurostat data. Furthermore, progress towards a 20 per cent increase in energy efficiency by 2020 is discussed. For this indicator, the document presents a table summarising the indicative national efficiency targets for 2020 for all Member States as well as projected absolute levels of energy consumption in 2020 for all Member States (though the source for these projections is not specified).

Based on this information, the document spells out which Member States are lagging behind and need to enhance efforts in years to come to meet different objectives and which broad challenges Member States face in meeting climate and energy targets. It refers to relevant Commission documents tracking progress in energy and climate policy for more detailed assessments. At the same time, it describes potential win-wins in the form of stimulating the economy by achieving more on renewable energy, energy efficiency and low carbon technologies generally. Finally, some generic policy recommendations for advancing climate and energy policy are put forward.

Resource efficiency[8]

Progress in the field of resource efficiency is traced by **resource productivity trends** for all Member States taken from Eurostat data. Furthermore, thematic indicators are considered in the areas of **municipal waste management** in 2011; **environmental taxation**, comparing the percentage of environmental taxes out of total tax revenue as well as the implicit tax rate on energy in 2011 across all Member States (all based on Eurostat data).

The document establishes the link between growth in resource productivity and GDP, recognising that a certain degree of **decoupling** has taken place. These trends are further differentiated according to Member State to single out those with lowest and highest resource productivity levels and to identify key outstanding challenges.

Waste statistics are interpreted to identify those Member States with the most urgent need to scale up recycling efforts. Quantified economic and job related benefits from scaling up waste management efforts are presented in the document.

A range or issues relating to **water scarcity and quality** are discussed, such as pollution of surface and groundwater sources, water pricing, water use efficiency and the economic opportunities from promoting innovation in the water services industry. Water scarcity across Member States is quantified through the water exploitation index (from EEA).

Further issues discussed in the document include the **marine economy** where overfished stocks in Mediterranean and Atlantic Sea are pointed out; Member State **air pollution levels** are shown and their economic and health related costs discussed; **eco-innovation performance** figures show significant divergences in this area across the EU; Member State **fossil fuel subsidies** and their size in relation to environmental taxes are also presented.

Green jobs[9]

The thematic document on green jobs relates to 'all jobs that depend on the environment or are created, substituted or redefined in the transition process towards a greener economy'.[10] Figures on the **development of green jobs in eco-industries** are presented. The document notes that systematic EU wide data collection on the development of this job market is currently lacking, so that current aggregate figures stem from consultancy reports. It presents Eurostat job figures for certain sub-sectors such as *water and waste management*. Additionally, figures on job creation in the *renewable energy sector* provided by the European Observatory of Renewable Energy and the European Renewable Energy Council (EREC) are presented. A consultancy report provides further estimates on *environment-dependent activities*, which include sectors such as agriculture, forestry, fisheries, as well as mining activities.

Some of the main challenges in relation to green job growth are discussed and one key prerequisite identified is the scaling up of green investment in eco-industries. It is noted that looming skill shortages in relation to these industries are to be overcome by sustained training policies. The document also notes that care needs to be taken to ensure 'social inclusive' job growth in green industries, which is often skewed towards higher-skilled employment.

The document then goes on to discuss the **greening of traditional industries**, in particular in relation to GHG emission intensive industries, which include the energy supplying sector itself, the transport sector as well as the chemical sector. The share of employment in the most GHG-intensive industries ranges from below six per cent in Cyprus to around eleven per cent in Czech Republic. The document notes that particular

7 Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources.

8 Resource efficiency, http://ec.europa.eu/europe2020/pdf/themes/17_resource_efficiency.pdf [accessed 2/12/2013].

9 Green jobs: Employment potential and challenges, http://ec.europa.eu/europe2020/pdf/themes/19_green_jobs.pdf [accessed 2/12/2013].

10 Citation from Commission Staff Working Document SWD (2012)92 final of 18.4.2012 on 'Exploiting the Employment Potential of Green Growth'.

challenges arise from the need to adapt the workforce to the greening process. This entails the need to retrain workers (in particular low-skilled workers), which is a particular challenge in those Member States with higher shares of low-skilled workers. Rapidly ageing workforces may render retraining more challenging but make it all the more necessary to prevent skill shortages.

Taxation[11]

The thematic document on taxation discusses in a bit more detail the potential to shift taxes away from labour taxes and towards less distortionary taxes such as consumption, property and environmental taxes. The potential for such a shift is particularly apparent in those countries with a high tax burden on labour taxes and a low tax burden in the other areas mentioned. The document notes that raising environmental taxes has the additional benefit of pricing in externalities such as pollution. Data from the 2013 European Commission Taxation Trends Report are shown comparing the environmental tax revenue across Member States in 2011. The document also calls for the adoption of the Energy Taxation Directive by Member States as a framework to support the move towards a low-carbon and energy-efficient economy.

3.4 State of play in implementing country-specific recommendations relating to environmental policy

In November 2013, a Commission Staff Working Document accompanying the 2014 AGS sets out an interim overview of progress in implementing CSRs by Member States (EC 2013b). The document illustrates key reforms in each EU Member State and the Euro Area that have been undertaken since the launch of the European Semester process in 2011 and highlights implementation gaps in light of the 2013 CSRs. Progress made on aspects of relevance to environmental policy, as set out in the report, are summarised in Table 6 below. The analysis is preliminary and the Commission is expected to present a more detailed assessment of progress in the 2014 package of CSRs.

As is evident from *Table 6*, progress across Member States in implementing CSRs relating to areas of environment policy has been variable to date. While recognising efforts undertaken in several countries, the document notes that further action is needed to achieve GHG emission reduction targets (e.g. in Belgium and Luxembourg). Other areas where further action is needed include energy efficiency (e.g. Malta, Cyprus), environmental taxation (e.g. Slovakia and Spain); transport sector (e.g. Portugal, Romania, Malta, Spain, Poland), energy sector (e.g. Slovakia, Romania, Poland and the UK), waste and water management (e.g. Poland and Bulgaria).

Table 6: Overview of progress in implementing environment related CSRs (as of November 2013)

Member State	Progress made
Belgium	> Regulatory interventions in the ***energy market*** have led to a drop in energy prices. > Given projections for ***GHG emissions*** are well above target, more ambitious policies need to be implemented, notably in the ***transport and building sectors***, including effective internal effort-sharing framework between different competent entities.
Bulgaria	> Significant reforms needed in energy sector to bring it in line with the ***Internal Energy Market*** and improve ***efficiency***. > ***Transport infrastructure*** has experienced improvements, but considerable potential remains for improving efficiency. This is also the case in the ***water and waste*** sectors where administrative capacity of regulatory bodies needs to be enhanced.
Cyprus	Room for additional measures in transport sector, also with a view to improving ***energy efficiency***.
France	Notes that a reform to increase the ***efficiency of the railway system*** is underway.
Germany	Notes that measures to improve conditions for accelerating ***expansion of electricity network and coordination of energy network management*** with some neighbouring Member States have been taken.
Ireland	Notes recent reforms in the ***water sector***.

11 axation, http://ec.europa.eu/europe2020/pdf/themes/03_taxation.pdf [accessed 2/12/2013].

Member State	Progress made
Italy	***Energy prices*** remain very high and upgrading ***infrastructures*** remains a challenge.
Latvia	> Parliament has adopted tax measures concerning *inter alia* ***environmental taxes***. > Further efforts are needed on gas infrastructure and markets. > Some progress is being made on **energy efficiency**.
Lithuania	Legal impediments for granting specific loans to certain categories of owners in 2013 to support ***energy efficiency of buildings*** have been removed which is a step in the right direction, although impact of these measures still needs to be assessed.
Luxembourg	Not on track to achieve GHG target and further efforts are needed to offset negative externalities resulting from low level of ***taxation on energy products for transport*** and to improve the ***public transport system***.
Malta	> Plans are underway to ***diversify energy supply.*** > On ***renewable energy***, support schemes put in place, but problems developing planned wind farms. > Some limited measures implemented to address shortcomings in the ***transport sector***, but uptake of public transport modest. > Further efforts in ***energy efficiency*** needed.
Poland	> Most measures in the ***energy sector*** are only at preparation stage. > On ***energy efficiency***, the government has modernised public buildings. > Despite some efforts, ***railway investment projects*** still delayed. > Action has not been taken to respond to recommendations on ***waste and water management***.
Portugal	Further progress still necessary to make the ***transport sector*** more sustainable.
Romania	Restructuring state-owned companies and improving governance and performance, in particular in the ***transport and energy sector***, has been slow.
Slovakia	> There remains scope for greater reliance on taxes that are less detrimental to growth, such as ***environmental taxation***. > Improving competition and transparency of price-setting mechanisms in regulated industries, notably the energy sector still needs to be tackled.
Spain	> Although measures have been taken to start rebalancing tax burden towards consumption and ***environmental taxes***, further efforts are needed and an independent expert group has been created to inform the review of the tax system. > Further efforts are needed to address shortcomings in competition in transport sector.
UK	Measures introduced on ***energy capacity*** do not seem to provide an adequate level of certainty beyond 2020.

Source: EC (2013b)

4 / CONCLUSIONS AND NEXT STEPS

The European Semester was introduced in 2010 as a mechanism of economic and fiscal policy coordination. It brings together reporting under the Europe 2020 Strategy (which aims to turn the EU into a smart, sustainable and inclusive economy) with reporting under the Stability and Growth Pact (which aims to ensure financial discipline and the sustainability of public finances among Member States). The process offers a novel and potentially powerful tool through which to monitor Member States progress on various issues, including environmental issues, and recommends improvements to better align national efforts with EU policy objectives. The process attracts significant high-level political attention at both EU and national level, and in certain cases also generates public debate in countries as recommendations are picked up by national media.

The analysis in this report indicates that the extent to which environmental policies have been mainstreamed in the European Semester process has been limited to date. Given the economic and financial context over the past three years, ensuring a successful exit from the economic crisis has been an overriding priority of the EU and this has been the dominant focus of the European Semester process to date. This focus is evident across all documentation produced under the process. For example, at the level of the **Annual Growth Survey** (AGS), our analysis indicates that the primary focus since 2011 has been on consolidating budgets and creating growth and jobs rather than on the wider goals set out in the Europe 2020 Strategy including on climate and energy. Although some environmental issues do receive attention in the AGSs, in most cases they are seen as facilitators towards growth and economic and labour market recovery and detail on specific environmental measures is limited. This confirms the findings of a previous study for the European Parliament on the 2011 AGS (see Derruine and Tiedemann, 2011).

At the level of **country-specific recommendations (CSRs),** some environment related recommendations have been made to date; however these remain limited and focused on certain areas of policy in particular environmental tax reform which is primarily encouraged as being beneficial to growth and can be designed in a budget-neutral way. Other environment issues which have received attention in CSRs include energy (and electricity) and transport infrastructure; renewable energy and energy efficiency; better energy market design (completion of the internal market, implementation of the Third Package); and progress towards GHG emission reduction targets. This focus on 'win-win' environmental options (i.e. those that can bring financial gains, improve competitive advantage, and in some cases reduce dependence on foreign resources) is in line with the overarching priority of the European Semester process of stimulating economic growth. Other environment related issues covered in the CSRs relate to waste management and to a lesser extent water management, although these recommendations are very limited and remain general. The issue of resource efficiency per se does not receive explicit attention in the CSRs beyond the coverage of environmental tax reform and some limited references to water and waste management.

This narrow focus of the European Semester process to date is perhaps not surprising given the overarching political priorities of recent years on stimulating economic growth and ensuring fiscal consolidation. However, the European Semester is a tool to implement the Europe 2020 Strategy which includes climate change, energy and resource efficiency related objectives. The focus of the process to date has ignored other key policy objectives that are nonetheless firmly embedded in the EU environmental acquis. For example issues such as biodiversity and the broader notion of ecosystems and their services, which are of central relevance to human well-being and economic performance have been entirely absent in the European Semester process to date (Withana et al, 2012). Other issues of relevance such as recycling, eco-innovation, air pollution, water management including management and prevention of floods, and waste have also been largely side-lined despite their potential contribution to the objectives of the Europe 2020 Strategy.

Next steps

Despite some positive steps to date, there is potential for further improvement and better integration of environmental considerations in the European Semester process. In thinking about how environmental policies can be better integrated in the European Semester processes in the future, one should be realistic in terms of what a process geared so overwhelmingly towards economic recovery can deliver for the environmental agenda. While the European Semester is no doubt a useful tool which attracts high-level political attention, it is limited in that it is linked to the Europe 2020 Strategy and the objectives set out therein. Nonetheless, there is scope for wider use of the process to support environmental objectives and for the 'greening' of the European Semester process as set out below:

> To start with, there is a need for a **wider interpretation of the priority areas set out in the AGS**. For example, efforts under the priority of *'Growth and competitiveness for today and tomorrow'* could start to focus more on 'tomorrow' including consideration of action needed for the transition to a low-carbon, resource efficient, circular economy. Similarly the contribution of environmental fiscal reform including

ETR and EHS reform to the priority area of '*Pursuing differentiated growth-friendly fiscal consolidation*' should continue to be pursued and more specific recommendations for action in this area considered. Environmental policy can also usefully contribute to the priorities of '*Tackling unemployment and the social consequences of the crisis*' through the job creation potential of the green economy as well as the priority of '*Modernising public administration*' through *inter alia* strengthened procedures for impact assessments, capacity building, and better implementation (Meuleman 2013). In addition, one could also envisage environmental issues becoming one of the priority areas explicitly covered in future AGSs which would provide a high-level signal that Europe continues to be committed to its environmental targets set out in the Europe 2020 Strategy and other strategic documents including the 7th Environment Action Programme and Resource Efficiency Roadmap.

> **CSRs should provide more comprehensive coverage of environmental issues which support the objectives of the Europe 2020 Strategy.** This includes for example issues related to biodiversity and ecosystem services which have been absent to date, as well as more specificity on those issues such as water and waste management which have made brief appearances in some CSRs but with little substance/detail. This can be done in the spirit of the process to date and its focus on environmental-economic win-wins. For example, a wide ranging literature provides evidence on the economic value of ecosystem services and the costs of their deterioration.[12] Indeed, the Commission has stated that it will use the European Semester process to make recommendations to Member States regarding water resources (EC, 2012b). Forthcoming studies for the European Commission, e.g. on the economic and social benefits of flood management, SMEs support mechanisms and environmental expenditure which are expected to be published in early 2014, should also help to build the evidence base in this regard. Additional work to evaluate the potential of green jobs, eco-innovation, air quality etc. could provide further support for arguments to green the European Semester.

> As noted in the AGS 2014, in order to deepen the European Semester process, there is a need to **increase ownership and engagement of Member States in the process**, in particular of the CSRs. Although the legal basis underpinning the process includes the possibility to issue 'warnings' to Member States that fail to respond to EU policy recommendations and makes a link to funding under the European Structural and Investment (ESI) Funds; the extent to which such measures are resorted to will depend on the extent to which EU leaders' will be willing to 'name and shame' one another and set a precedent for what may be construed as undue EU interference in national economic policies. The governance process of the European Semester process is not prescriptive but rather seeks to orientate policies through systems of benchmarking, monitoring and policy recommendations for action. In this context, regular exchanges between Member States can be useful for discussion, exchanging best practices and mutual learning which can support better implementation of environment focused CSRs and provide a forum for further integrating environmental considerations in the European Semester.

> As noted earlier, the **European Parliament** has an advisory role in the European Semester process, publishing own-initiative reports and engaging in economic dialogues and exchange of views. Through these processes, the Parliament can support the further greening of the European Semester process by emphasising the need for policy coherence between the European Semester and wider EU strategic documents including the 7th Environment Action Programme and the Resource Efficiency Roadmap. These documents highlight the need to move towards a resource efficient, circular economy which should in turn be reflected in Member States structural reform plans. Rather than being reactive, the EP can also play a more proactive role in the process, for example drafting resolutions setting out the Parliament's key priorities for the coming year in advance of the annual presentation by the Commission of the AGS. The EP can support efforts to raise awareness and engagement in the process for example by organising discussions or hearings on greening the European Semester which can also help to increase the participation of civil society in the process. The Parliament can also specifically raise these issues during regular dialogues and exchanges of views with representatives of relevant EU institutions including the Council, the Commission, the Euro Group and certain Member States.

> **Civil society and other stakeholders** also have an opportunity to be engaged in the process through involvement in the Commission's 'fact finding missions' to Member States which take place in January-February each year. These missions provide an opportunity to get feedback from various stakeholders at the national level on progress in the country and key challenges ahead and in turn inform the development of CSRs and Commission Staff Working Documents for the year ahead.

12 See for example: ICF GHK and IEEP (2012); CRESR and EFTEC (2013); TEEB (2011).

5 / REFERENCES

CEU (n.d.) Webpages on the European Semester – What is the European Semester?
http://www.consilium.europa.eu/special-reports/european-semester [accessed 21.11.2013].

CRESR and EFTEC (2013) Green Infrastructure's contribution to economic growth: A review; A Final Report for Defra and Natural England.

Derruine, O. and A. Tiedemann. 2011. The first European Semester and its contribution to the EU 2020 strategy.
Report by the Greens/EFA in the European Parliament, Brussels.
http://www.sven-giegold.de/wp-content/uploads/2011/10/Europ.-Semester-contribution-to-EU2020.pdf [accessed 20.11.2013]

DG Environment (2013) Background paper on the potential of greening the European Semester incl. the National Reform Programmes for workshop on 'Greening the economic and social governance of the EU (the European Semester), 28.11.2013, Brussels.

EC (2013) Webpages on the European Semester - Making it happen: the European Semester,
http://ec.europa.eu/europe2020/making-it-happen/index_en.htm [accessed 20.11.2013].

EC (2013a) Communication from the Commission: Annual Growth Survey 2014, (COM (2013)800 final) 13.11.2013, Brussels.

EC (2013b) Commission Staff Working Document accompanying the 2014 Annual Growth Survey – Overview of progress in implementing country-specific recommendations by Member States, (SEC(2013)800 final), 13.11.2013, Brussels

EC (2013c) Communication from the Commission 2013 European Semester: Country-Specific Recommendations – Moving Europe beyond the crisis, (COM (2013)350 final), 29.5.2013, Brussels.

EC (2012) Communication from the Commission: Annual Growth Survey 2013, (COM (2012) 750 final) 28.11.2012, Brussels.

EC (2012a) Communication from the Commission – Action for stability, growth and jobs, (COM (2012)299 final), 30.5.2012, Brussels.

EC (2012b) Communication from the Commission – A Blueprint to Safeguard Europe's Water Resources, (COM (2012)673 final), 14.11.2012, Brussels.

EC (2011) Communication from the Commission: Annual Growth Survey 2012, (COM (2011)815 final), 23.11.2011, Brussels.

EC (2011a) Annual Growth Survey 2012 – Annex 1 – Progress report on Europe 2020, (COM (2011)815 final), VOL. 2/5 – ANNEX I, 23.11.2011, Brussels.

EC (2011b) Growth-friendly tax policies in Member States and better tax coordination in the EU – Annex to Communication from the Commission: Annual Growth Survey 2012, (COM (2011)815 final), VOL. 5/5 – ANNEX IV, 23.11.2011, Brussels.

EC (2011c) Communication from the Commission: Annual Growth Survey 2011: Advancing the EU's comprehensive response to the crisis. (COM (2011)11 final), 12.1.2011, Brussels.

EC (2011d) Annual Growth Survey 2011– Annex 1 – Progress report on Europe 2020, (COM (2011) 11 final) ANNEX 1, 12.1.2011, Brussels.

EC, (2010), Communication from the Commission, EUROPE 2020 - A strategy for smart, sustainable and inclusive growth, (COM (2010) 2020 final), 3.3.2010, Brussels.

EP (2013) The European Semester – Main steps at EU level, Background document, http://www.europarl.europa.eu/document/activities/cont/201301/20130130ATT60083/20130130ATT60083EN.pdf [accessed 21.11.2013].

EP (2013a) 'Parliaments should be given more control over EU's budget recommendations', EP News Room, Article – Economic and monetary affairs – 30-01-2013 – 16:49, http://www.europarl.europa.eu/news/en/news-room/content/20130125STO05490/html/Parliaments-should-be-given-more-control-over-EU%27s-budget-recommendations [accessed 21.11.2013].

ICF GHK and IEEP (2012) The EU biodiversity objectives and the labour market: benefits and identification of skill gaps in the current workforce, Study for DG Environment.

Meuleman, L., (2013), Greening the European Semester: Making the environment part of the solution, Presentation at EESC Hearing on 'Creating the right incentives for the green economy – Financial and economic instruments in Europe', 29 October 2013, Brussels. http://www.eesc.europa.eu/resources/docs/louis-meuleman_29102013.pdf [accessed 6.12.2013].

OJEU (2012) Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union, C326, Vol. 55, 26 October 2013, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2012:326:FULL:EN:PDF [accessed 6.12.2013].

TEEB (2011) The Economics of Ecosystems and Biodiversity in National and International Policy Making. Edited by Patrick ten Brink. Earthscan, London and Washington.

Withana, S., Baldock, D., Coolsaet, B., Volkery, A., (2012), The future of EU environmental policy: Challenges and opportunities, IEEP report to the All-party Parliamentary Environment Group, January 2012.

ANNEX 1 / OVERVIEW OF ENVIRONMENTAL ISSUES COVERED IN COUNTRY-SPECIFIC RECOMMENDATIONS ADOPTED BY THE COUNCIL (2011-2013)

	Environmental issue addressed		
	2011	**2012**	**2013**
Austria	None	Recommends shifting tax burden away from labour towards real estate and environmental taxes. Recommends fostering competition by removing barriers to market entry in the communications, transport and energy retail markets.	None
Belgium	Notes that BE has the lowest ratio of environmental over labour taxes in the EU, and a low implicit tax rate on energy, making it hard to meet energy efficiency targets. Recommends taking steps to shift the tax burden from labour to consumption and to make the tax system more environmentally friendly. Recommends introduction of measures to strengthen competition in the electricity and gas markets.	Notes that no shift of fiscal burden away from labour towards consumption and/or eco-taxes has been undertaken. Notes insufficient measures to get back on track towards meeting 15% GHG reduction target in non-ETS sectors. Recommends significantly shifting taxes from labour to less growth-distortive taxes, e.g. environmental taxes, and further measures to progress towards GHG emission targets in non-ETS sectors, in particular in the transport sector.	Notes little competition in electricity market. BE continues to be one of the countries with the lowest share of environmental taxation in total tax revenues and risks failing to meet its 15% GHG reduction target. Also notes high traffic congestion levels. Recommends continued improvements to the functioning of the energy market; concrete and time-specific proposals for shifting taxes from labour, notably by exploring the potential of environmental taxes, e.g on diesel, heating fuels and the taxation of the private use of company cars. Also recommends taking concrete measures and agree a clear division of efforts between the federal and regional authorities to ensure progress towards GHG reduction targets in non-ETS sectors, in particular transport and buildings.
Bulgaria	Note that energy intensity is amongst the highest in the EU, inefficient household heating being a particular problem with few investments made so far from EU Structural Funds. Also notes that revenues from energy and transport taxes have fallen relative to labour taxes, has a poorly functioning energy market and needs to increase resource efficiency. Recommends opening up the electricity and gas markets to greater competition and the introduction of incentives to upgrade the energy efficiency of buildings.	Notes the malfunctioning energy market, high energy dependence, and unsatisfactory reforms in the area of renewable energy. Recommends stepping up absorption of EU funds, inter alia on transport and water management. To reduce barriers in the energy market, ensure independence of transmission and distribution system operators and further measures on better energy market functioning, boost energy efficiency.	Notes that BG has yet to fully implement obligations under the Internal Energy Market. High energy dependence requiring diversifying supply. Low energy efficiency, especially of buildings, both public and private. Recommends strengthening the independence of national regulatory authorities in energy, transport, waste and water management. Create competitive electricity and natural gas markets. Step up efforts to improve energy efficiency.

	Environmental issue addressed		
	2011	2012	2013
Croatia*	NA	NA	Notes monopolised energy markets. Scope for energy efficiency improvements. GHG reduction on track with obligation under Effort Sharing Decision. Insufficient data to assess progress towards 2020. Support measures for renewable energy not yet in all sectors, no NREAP yet. Waste management being developed. Table on Green Growth shows that many indicators lack data.
Cyprus	Notes that energy and resource constraints could become bottlenecks for growth; related inter alia to long droughts due to climate change. Notes the need to improve the functioning of the energy market, inter alia through facilitating infrastructure investment for renewable energy. Noting Cyprus' Euro Plus Pact commitment on promoting energy efficiency and renewable energy sources. Recommends diversifying the energy mix and expanding renewable energy sources. To establish, by 2012, a water management plan and a price-setting scheme reflecting cost efficiency and equity concerns.	None	The Economic Adjustment Programme published, thus no separate CSR. Note high energy dependence. CY authorities commit to reform Cyprus' energy market, inter alia by implementing the Third Package. CY shall undertake by June 2013 a reform of the tax system for motor vehicles, based on environmentally-friendly principles.
Czech Republic	None	Note recent changes to environmental and housing taxation, which are currently below the EU average. Recommends shifting the high level of taxation on labour to housing and environmental taxation. capital and labour to property, consumption as well as environment. Also recognises that multiple challenges remain in energy and transport sectors, in particular railways and ports, where infrastructure and market bottlenecks remain significant.	Note that plans to introduce a CO2 tax and abolish exemptions from excise duties on natural gas for heating were dropped; implicit tax rate on energy is below EU average and vehicle circulation taxes remain very low. Recommends shifting from labour taxes to taxes less detrimental to growth, such as recurrent taxes on housing and vehicle circulation taxes; and further measures to improve energy efficiency in the buildings and industry sectors.

** Commission Staff Working Paper only available for 2013.*

	Environmental issue addressed		
	2011	**2012**	**2013**
Denmark	None	None	None
Estonia	Notes that resource intensity is amongst the highest in the EU, due to focus on energy-intensive industries and low performance and poor measures on energy efficiency. Measures needed on both fronts. Recommends implementing planned incentives to reduce energy intensity and improve energy efficiency, targeted on the buildings and transport sectors, including by ensuring better market functioning.	Notes insufficient energy efficiency measures and a trend of modal shift away from public transport; among the most energy-intensive fleet of new cars in EU given very low fuel excise duties; transposition of several energy-related EU Directives not yet completed; need to diversify energy supply and upgrade electricity infrastructure to integrate increasing amounts of wind energy. Recommends improving energy efficiency, in particular in buildings and transport, strengthen environmental incentives concerning vehicles (e.g. taxation of vehicles) and waste. Foster renewable energy use, including through upgraded infrastructure and legislation. Further develop cross-border energy connections.	Notes that energy intensity remains high, despite some measures taken. Efforts on renovating buildings are needed in particular. The fleet of new cars is the most energy-intensive in the EU and consumer patterns are not changing in spite of increased fuel excise duties. GHG targets are unlikely to be met in absence of further measures, in particular in transport and housing. Insufficient cross-border connections of energy market. Recommends improved energy efficiency, in particular in buildings and transport, and strengthen environmental incentives concerning vehicles and waste. Develop cross-border energy connections to diversify sources and promote competition in the energy market.
Finland	None	None	Recommends continuing to improve the overall energy efficiency in the economy.
France	Notes below-EU-average environmental tax revenues and the potential for shifting taxes from labour to environment. Recommends move from labour towards environmental and consumption taxes.	Notes that FR has the second lowest share of environmental tax revenues in the EU indicating ample room for increasing such taxes. Recommends shifting taxes from labour to environmental and consumption taxes. Recommends liberalising electricity wholesale market and developing energy interconnection capacity.	Notes measures undertaken on taxation but further needs to rebalance the share of environmental taxes. Recommends taking further measures shifting the tax burden from labour to environmental taxation or consumption.

	Environmental issue addressed		
	2011	**2012**	**2013**
Germany	Notes the need for cost effective implementation of the Energy Concept, based on efficient energy consumption, cost-effective support schemes and adequate electricity grids. Recommends improving the long-term cost-effectiveness of the Renewable Energy Act, ensuring effective independence of energy production and transmission, and improving cross-border interconnections.	Notes DE's major energy system reform, calling for cost effective climate and renewable policies and for network expansion, foster energy efficiency. Recommends keeping the overall economic costs of transforming the energy system to a minimum, including by accelerating the expansion of the national and cross-border electricity and gas networks.	Notes efforts to minimise the costs of transforming the energy system with some first results but overall continuously increasing costs; significant efforts to accelerate the expansion of energy networks, but insufficient coordination of its national energy policy with the policies of neighbouring countries. Recommends improving this coordination and keeping the costs of energy system transformation to a minimum, in particular by further reviewing the cost-effectiveness of renewable energy policy instruments and by continuing efforts to accelerate the expansion of the national and cross-border electricity and gas networks.
Greece	None	Notes that despite economic crisis, EL has continued to work towards environmental goals of Europe 2020	No CSR adopted to avoid overlap with Economic Adjustment Programme
Hungary	None	Alleviate impact of tax changes on low earners for example by shifting part of tax burden to energy taxes. Reform public transport system to make it more cost efficient. Increase cross-border capacities of electricity network, ensure independence of the energy regulator and gradually abolish regulated energy prices.	Alleviate tax burden on low-wage earners, *inter alia* by shifting taxation to environmental taxes. Gradually abolish regulated energy prices, take further steps to ensure independence of national energy regulator, reduce operating costs and increase revenues of state owned enterprises in transport sector.

	Environmental issue addressed		
	2011	2012	2013
Ireland	None	None	No CSR adopted to avoid overlap with Economic Adjustment Programme
Italy	None	Take further action to shift tax burden away from capital and labour to property, consumption as well as environment. Also recognises that multiple challenges remain in energy and transport sectors, in particular railways and ports, where infrastructure and market bottlenecks remain significant.	Shift tax burden from labour and capital to consumption, property and environment in a budget neutral manner. To this purpose, review scope of VAT exemptions and reduced rates and of direct tax expenditures, and reform cadastral system. Upgrade infrastructure capacity with focus on energy interconnections and intermodal transport. Also notes that 2013 national strategy for energy should be further pursued.
Latvia	None	Implement measures to shift taxation away from labour to consumption, property, and use of natural and other resources, as environmental taxes remain relatively underdeveloped and dominated by motor-fuel taxation, while taxation on other energy sources, pollution and the use of natural resources is below EU average. Further encourage energy efficiency by implementing measures and providing incentives for reducing energy costs and shifting consumption to energy-efficient products, including vehicles, buildings and heating systems. Also calls for promotion of competition in major energy networks and improving connectivity with EU energy networks.	Shift taxation to areas such as excise duties, recurrent property taxes and/or environmental taxes. Continue improving energy efficiency, especially of residential buildings and district heating networks (where potential for efficiency gains is significant given very high energy intensity of LV households); provide incentives for reducing energy costs and shift consumption towards energy-efficient products. Improve connectivity with EU energy networks and take steps towards liberalisation of natural gas market.

	Environmental issue addressed		
	2011	2012	2013
Lithuania	Notes that addressing low energy taxes including for vehicle registration and ownership would support fiscal consolidation in short term while incentivising more efficient energy use. Recommends energy efficiency of buildings is improved including through rapid implementation of the Holding Fund, steps to shift taxation towards energy use are taken and competition in the energy sector is strengthened.	Notes that progress to improve energy efficiency in buildings is weakened by counteracting subsidies in other policy areas that reduce incentives for inhabitants of residential buildings to improve energy efficiency. Recommends review and considering an increase in taxes that are least detrimental to growth, i.e. housing and environmental taxation, including car taxation, step up measures to improve energy efficiency of buildings including by removing disincentives and rapid implementation of the Holding Fund. Promote competition in energy networks by improving interconnectivity with MS.	Review tax system and consider increasing taxes that are least detrimental to growth, such as recurrent property and environmental taxation, including car taxation. Step up measures to improve energy efficiency of buildings, including by removing disincentives and rapid implementation of the Holding Fund. Promote competition in energy networks by improving interconnectivity with other MS.
Luxembourg	None	Notes that road sector represents the most significant source of emissions with significant emission reduction potential as the price of transport fuels remains one of the lowest in the EU, encouraging 'fuel tourism' and inducing negative externalities. Recommends LU ensure that targets for reducing GHG emissions from non-ETS activities are met, in particular by increasing taxation on energy products.	Step up measures to meet target for reducing non-ETS GHG emissions, in particular by increasing taxation on energy products for transport. Also notes that vehicle tax reform should be accelerated, continue implementation of projects which favour use of public transport including introduction of congestion charging on roads and better public transport connections with neighbouring regions.
Malta	Notes that dependence on imported oil and inadequacy of energy systems impacts on entrepreneurship and competitiveness of SMEs. Recommends that efforts to reduce dependence on imported oil are strengthened by bringing forward investments in renewable energies and making full use of EU funds to upgrade infrastructure and promote energy efficiency.	Notes heavy dependence on imported oil and marginal contribution of RES. Recommends stepping up efforts to promote energy efficiency and increase share of energy from RES by monitoring existing incentivising mechanisms and prioritising further development of infrastructure.	Notes limited diversification and poor environmental performance of energy supply leads to high electricity tariffs, that the share of RES remains particularly low and feasibility of major projects is at stake, and that the environmental performance of transport system is poor. Recommends continuing efforts to diversify energy mix and energy sources, in particular through increasing take up of RES and timely completion of electricity link with Sicily, as well as maintaining efforts to promote energy efficiency and reduce emissions from transport sector.

	Environmental issue addressed		
	2011	2012	2013
Netherlands	Notes negative impacts of inefficient transport infrastructure (in terms of congestion), that improvements in efficient use of infrastructure (e.g. through road pricing measures) would help increase labour mobility and productivity and thus potential growth, and for issues arising from congestion to be addressed, although this does not appear as a specific recommendation for action. Although not directly referring to the environment, recommends the promotion of innovation, private R&D investment and closer science-business links by providing suitable incentives in the context of the new enterprise policy.	Although not directly referring to the environment, recommends promotion of innovation, private R&D investment and closer science-business links, providing suitable incentives in context of enterprise policy, safeguarding accessibility beyond top sectors (which include energy, agri-food, water, chemicals, and horticulture) and preserving fundamental research.	Although not directly referring to the environment, recommends that in ensuring a timely correction of the excessive deficit expenditure in areas directly relevant for growth such as education, innovation and research be protected.
Poland	Notes underdeveloped transport infrastructure amplifies regional disparities while ageing energy infrastructure needs significant adjustments to meet requirements of climate mitigation policies. Recommends measures to improve incentives for investment in energy generation capacity to encourage low-carbon emitting technologies, further develop cross-border electricity grid interconnections, develop a multiannual plan for investment in railway infrastructure and implement rail transport master plan.	Notes that growth and competition in energy sector held back by delays in implementation of EU legislation, including the RED, while investment in rail network is slow. Recommends stepping up efforts to improve incentives for investment in energy generation capacity and energy efficiency in whole energy chain, speed up development of the electricity grid, eliminate obstacles in electricity cross border exchange, strengthen role and resources of railway market regulator and ensure effective and swift implementation of rail investment projects. Although not directly referring to the environment, also recommends better links between research, innovation and industry, establishment of common priority areas and instruments supporting whole innovation cycle, and improving access to finance for research and innovation.	Notes high potential for improvements in energy efficiency in all sectors, particularly insulating buildings. Recommends renewing and extending energy generation capacity and improving efficiency in whole energy chain, extend development of electricity grid, and eliminate obstacles in electricity cross border exchange. Strengthen role and resources of rail market regulator and ensure implementation of rail projects without further delay. Improve waste and water management. Although not directly referring to the environment, also recommends strengthening links between research, innovation and industrial policy, by further developing revolving instruments and tax incentives and better targeting existing instruments to different stages of the innovation cycle.
Portugal	None	None	No CSR adopted to avoid overlap with Economic Adjustment Programme

	Environmental issue addressed		
	2011	2012	2013
Romania	None	None, although notes that progress in key structural reform areas, such as energy and transport and EU funds absorption, has been uneven.	Notes that environmental taxes are below EU average, that increasing energy efficiency in buildings, district heating, industry and transport is a key challenge, and integration of electricity markets in EU markets incomplete. Recommends exploring ways to increase reliance on environmental taxes, continue corporate governance reform of state-owned enterprises in energy and transport sectors, adopt comprehensive long-term transport plan, remove regulated electricity prices, improve energy efficiency, improve cross-border integration of energy networks and implement gas interconnection projects. Although not directly referring to environment, also recommends easing access to finance for SMEs, ensuring closer links between research, innovation and industry.
Slovakia	Notes there is scope to increase revenues from taxes that are least harmful to growth, such as environmental taxes. Recommends using available room to increase revenue through environmental and property taxes.	Notes there is room for increasing receipts from taxes that are least harmful to growth, including environmental taxation and recommends *inter alia* to make greater use of environmental taxation.	Notes scope to raise additional resources by *inter alia* increasing recourse to taxes such as environmental taxation, high energy-intensity of economy and high electricity prices and the need to *inter alia* set more ambitious targets for energy efficiency. Recommends stepping up efforts to make energy market function better by increasing transparency of tariff-setting mechanism and enhance accountability of the regulator. Also recommends strengthening interconnections with neighbouring countries and improving energy efficiency in buildings and industry.

	Environmental issue addressed		
	2011	**2012**	**2013**
Slovenia	None	Notes that due to its growing importance as a transit country for electricity flows, national transmission grid is starting to become a bottleneck, although no recommendations are made in this regard.	None
Spain	Recommends exploring scope for improving efficiency of tax system, e.g. through moving away from labour towards consumption and environmental taxes while ensuring fiscal consolidation. Also recommends implementing Law on Sustainable Economy which includes a range of measures to improve the business environment, strengthen competition and promote environmental sustainability.	Recommends introduction of taxation system consistent with the fiscal consolidation efforts and more supportive of growth, including a shift away from labour towards consumption and environmental taxation, completing electricity and gas interconnections with neighbouring countries and addressing electricity tariff deficit in a comprehensive way.	Recommends conducting a systematic review of tax system by March 2014 to explore the scope to *inter alia* take additional steps in environmental taxation, notably as regards excise duties and fuel taxes. Also recommends adopting and implementing a structural reform of the electricity sector by the end of 2013, intensify efforts to complete electricity and gas interconnections with neighbouring countries, set up independent observatory to inform assessment of future major infrastructure projects.
Sweden	None	Although not directly referring to environment, recommends further measures in upcoming research and innovation bill to continue improving excellence in research, commercialisation of innovative products and development of new technologies.	None
UK	None	Notes the need to *inter alia* upgrade electricity generation capacity given need to replace existing generating capacity, meet renewable energy obligation and tighter carbon emissions standards. Recommends long-term strategy for improving capacity and quality of network infrastructure, including measures to address pressures in transport and energy networks by promoting more efficient and robust planning and decision-making processes, and harnessing appropriate public or private financing arrangements.	Recommends taking measures to increase network infrastructure investment by promoting efficient and robust planning and decision-making processes, provide a stable regulatory framework for investment in new energy capacity, including renewable energy, and improving capacity and quality of transport networks with greater predictability and certainty on planning and funding.

Notes:
Analysis based on CSRs available from: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm


Ü
Ä
Europe
Entf