

Brussels in Brief is a regular feature of the IUCN Newsletter produced by the **Institute for European Environmental Policy (IEEP)** in Brussels. It provides a platform to explain the substance of environmental policy, as well as to highlight up-coming EU agenda items relevant to Europe and beyond.

Each edition of **Brussels in Brief** considers topics that relate to the overall thematic focus of the current Newsletter issue.

Brussels in Brief has a new editor in 2005, so please note the slight change in contact details.

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IEEP brings a non-partisan analytical perspective to policy questions. We engage with stakeholders to raise awareness and advance policies.

Brussels in Brief

Greening the Lisbon Agenda

The EU is responsible for a significant proportion of global consumption, investment, trade and production, and is a leading international force in political and economic terms, but it is being economically outperformed by the United States, and there are concerns about the new and competitive Asian economies. These were the pressures that led the European Council, in March 2000, to set out the 2010 'Lisbon' Strategy for a more competitive Europe. At the Spring European Council every year (next meeting 22–23 March 2005), EU Heads of State and Government assess the Lisbon Strategy's progress and decide future priorities for reaching the Lisbon targets.

Readers of the IUCN ROE newsletter will be aware of another 2010 goal – to halt European biodiversity loss by 2010. The EU committed itself to this goal at the Göteborg Summit in 2001 through the EU Strategy for Sustainable Development. The Countdown 2010 programme being coordinated by IUCN's Regional Office for Europe has a focus on the wider commitment made at a pan-European level by Environment Ministers at the 5th Environment for Europe Conference in May 2003 in Kiev.

The challenge facing the EU is how to reconcile its Lisbon and Biodiversity 2010 objectives in a way that is mutually supportive, respecting biodiversity's critical thresholds. This **Brussels in Brief** gives some background to the Lisbon Strategy, explores the links between competitiveness and the environment, and examines how the competitiveness agenda can work with and for the EU's biodiversity commitments.

• Introducing the Lisbon dimension

In March 2000 the EU leaders at the Lisbon Spring Summit committed to a strategy for the EU *'to become the most competitive and dynamic knowledge-based economy in the world capable of sustained economic growth with more and better jobs and greater social cohesion'*.

A year later, the Stockholm Spring Summit decided that the social and economic lines of Lisbon should be completed by an environmental dimension. In effect this recognised that economic growth, social cohesion and environmental protection must go hand in hand. It also offered the prospect of environment and sustainable development being elevated and carried forward by what was rapidly becoming the EU's foremost political strategy. A requirement of 'respect for the environment' was thus added to the Lisbon goal at the European Council meeting in Göteborg, when Heads of State agreed elements

of an EU Sustainable Development Strategy (SDS), including the 2010 Biodiversity objective.

The SDS also identified other environmental priorities, such as:

- action to tackle climate change, especially through increased use of renewable energy;
- addressing rising traffic volumes and congestion, noise and pollution;
- decoupling resource use and waste generation from economic growth; and
- action on environmental health and safety (eg control of chemicals and food safety).

Presidency Conclusions, Göteborg European Council, 2001
http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/00200-r1.en1.pdf

Lisbon as a focus for EU policies

The Lisbon objectives are not legally binding on EU Governments but it has nevertheless benefited from consistent attention from the EU's leaders. The new Commission President Barroso has made Lisbon a watchword for his five-year term in office.

Lisbon has thus assumed a rather prominent position even if its actual impact is questionable. In November 2004, a High Level Group chaired by Wim Kok (former Dutch Prime Minister) found that progress was lacking on all fronts. On the environment, the report found that the decoupling of economic performance from harmful environmental impacts had been only partly successful. For example, traffic volumes in Europe are rising rapidly and congestion is worsening, as are pollution and noise levels. Most European countries are below their Kyoto targets regarding greenhouse gas emissions with only three countries since 1999 recording visible progress in their reduction.

Despite its poor performance, the Lisbon Strategy has come to dominate the EU agenda. It is reflected in the EU's budget proposals to 2013, in the multi-annual work programme of the European Commission, and in the priorities of individual sectors. It is also being emphasised within the context of the EU's policy impact assessment tool, particularly in the context of EU chemicals policy.

What is of most concern is not that the Lisbon agenda is being promoted and defended so widely, but that it is often being used to sideline environmental priorities, in favour of short-term and narrowly framed competitiveness issues.

Facing the challenge – The Lisbon strategy for growth and employment
http://europa.eu.int/comm/lisbon_strategy/pdf/kok_report_en.pdf

Lisbon mid-term review – jobs and growth

Discussions on Lisbon and its future orientation are heating up as we approach the March 2005 Spring Summit which is to complete a mid-term review of the Strategy. To improve its impact, the Commission has proposed a sharper focus on two principal tasks – growth and jobs - two words that are set to be centre stage of the EU's agenda for the foreseeable future. As the Commission presents it: 'Without action, our valued social and environmental model will become unaffordable...'

If that view persists, then the future of the EU's environmental agenda may well turn on how far environmental issues can be seen to contribute to growth and jobs. Like others, the nature sector will increasingly have to demonstrate the benefits for jobs and growth of a healthy environment, and indeed that environment and quality of life issues are crucial for achieving both the level and kind of employment and growth that the EU wants.

Working together for growth and jobs – COM (2005) 24
http://europa.eu.int/growthandjobs/pdf/COM2005_024_en.pdf

The Future of EU Environmental Policy: opportunities and challenges, 2004. Available at:
www.ieep.org.uk/PDFfiles/PUBLICATIONS/APEG%20Future%20of%20EU%20Policy%20Report%20Dec04.pdf

Growth, jobs, competitiveness and environment

The United States has been out-performing Europe in terms of GDP growth since 1996. In 2004, the average growth of the Euro area was 2.2%, while the US economy grew by 4.3%, Japan by 4.4%, India by 6.4% and China by 9%. Labour productivity in the US is now growing twice as fast as in Europe.

The USA is spending more on Research and Development than Europe. A higher proportion of the US population has university or similar degrees, with the USA investing about twice the amount per student as most European countries. These factors are predicted to depress the potential growth rate of the European economy to around 1%, a third of the Lisbon objective. Economic growth does not necessarily correspond to growth in population, although there are particular issues related to Europe's ageing workforce.

Strengthening Europe's competitiveness *vis à vis* the US has thus emerged as a goal, even though competitiveness itself is poorly defined. The OECD views competitiveness as the degree to which a nation can, under free trade and fair market conditions, produce goods and services that meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term. The World Economic Forum, in contrast, sees competitiveness as the ability of a country to achieve sustained high rates of growth in GDP per capita.

Neither of these definitions refer specifically to the environment or quality of life, even though the existence of a healthy environment and natural resources will self-evidently affect competitiveness. Apart from supplying natural resources, a healthy environment will contribute to a healthy workforce and offer an attractive environment in which to live and work. The benefits of environmental protection for long-term competitiveness are amply demonstrated by the Nordic countries. Here strong economies have developed alongside and on the basis of relatively rigorous social and environmental policies.

These and other countries have responded to world market trends, for example, in relation to environmental technology. In other sectors (eg automotive, fisheries) there are worldwide demands to make products more environmentally friendly, safer and more sustainable, something that the EU should exploit.

• Services from nature

Where does this leave nature and biodiversity? There is no doubt that natural ecosystems provide us with valuable goods and services. All resources obtained through fisheries, forestry, agriculture and eco-tourism come to some extent from nature. In addition, ecosystems provide services such as water and air purification, and protection from the elements through modulation of tides by wetlands. But more effort is needed to identify and communicate the benefits of these services to relevant economic and political actors.

Managing nature for the long term

Humans have been part of the environment in Europe for thousands of years, and their impacts continue to dominate the landscape. It is only recently that we have begun to appreciate that limiting these impacts is important, but providing a balance between the needs of nature and the human population is also a necessity.

Impact assessments are becoming a more commonly used tool, and there is starting to be an appreciation that human activity can benefit some natural sites and others can tolerate a certain level of activity before disturbance affects their conservation value.

One of the common misconceptions about nature protection, and the EU's Natura 2000 network in particular, is that site protection means prohibition of commercial use and a reduction in the employment values of sites. In fact, while some areas will be closed, most are living landscapes.

Reaping employment benefits from nature

The nature sector supported over 100,000 jobs in the EU 15 in 2001, and with the introduction of the new Member States, this figure will have significantly increased. The level of direct employment varies between countries, and depends on the level of linkage with local and regional economic and tourist planning.

In addition, for every 3–5 full-time jobs created directly by Natura 2000 activities, it is estimated that an additional job is created by the revenue from site-related activities. Where the site is the prime reason for a tourist visit, one job for site-related activities can support 4–6 additional jobs through tourist expenditure in the form of travel, accommodation or purchase of local goods en route.

There will inevitably be some situations where developments that could provide high levels of employment must be located at Natura 2000 sites, and will necessarily have a significant impact on the conservation values of those sites. The Habitats Directive (92/43/EEC) gives a mechanism whereby proposals that must be carried out for 'imperative reasons of overriding public interest, including those of a social or economic nature' can still proceed, but compensatory measures have to be taken in such cases.

Natura 2000 and people – a partnership. Proceedings of a conference held in Bath 28-30 June 1998

http://europa.eu.int/comm/environment/nature/nature_conservation/useful_info/documents_publications/pdf/conf.pdf

Promoting the socio-economic benefits of Natura 2000
www.ieep.org.uk/research/Natura/Natura%20K%20-%20Benefits%20%5Bfinal%5D.pdf

Market advantages from nature products

Eco-labels have been in use for many years, as a means of distinguishing products and thus offering competitive advantage to producers, processors and retailers. Labels have proliferated since the 1990s. Apart from the EU's main eco-labelling scheme, labels are used to promote traditional or low-impact agricultural products and practices. These include labels for 'Organic Products', 'Protected Designation of Origin', 'Protected Geographical Indication' and 'Traditional Speciality Guaranteed' to promote and protect food products.¹ The idea of these systems is to encourage diverse agricultural production, protect product names from misuse and imitation, and help consumers by giving them information concerning the specific character of the products.

These and other national, local or private labelling schemes can also be used to promote products from areas where nature conservation is a focus. The Forest Stewardship and Marine Stewardship Councils are obvious examples of private schemes. Consumers are willing to pay for products that are environmentally sound, or have a particular identity, story or history attached. Brands can act as a 'hinge' for tourism marketing and the sale of locally produced goods. Examples of such schemes and products include:

- the French regional parks Marque label, 'Parcs Naturels Régionaux' for products produced within their boundaries; and
- the Waterland label in the Netherlands that was set up by farmers to maintain open countryside and 'sell nature' as an economic asset.

A goal for the future may be to create an eco-labelling scheme based on the Natura 2000 brand. This idea has been floated several times in the past few years, but no concrete developments have been made. A Scottish study published in 2000² suggested that for effective marketing of products from Natura 2000 sites in Scotland, or from associated areas, support at a European and national level was required. With increased public awareness of Natura 2000, a brand could become an effective marketing tool.

An international review of product labelling schemes commissioned by the UK's Countryside Agency is available at: www.countryside.gov.uk/Images/foreign%20product%20labelling%20schemes_tcm2-17280.pdf

• Avoiding costs of poor nature management

Governments usually have much clearer perceptions of the costs associated with implementing environmental regulations than of the benefits of these measures or the costs of inaction. One example where the cost of poor management has been modelled relates to the UK fisheries sector.

Here, the possible costs arising from poor management of vulnerable EU stocks, or continued lack of profitability of the fleet, were considered to have potential net present value

¹ Refer to Council Regulations (EEC) No 2081/92 and (EEC) (EEC) No 2082/92.

² Dr. Nonie Coulthard. Logical Cobwebs Ltd, 2000 'Natura 2000 Scoping Study'. CRU. Available at: www.snh.org.uk/pdfs/strategy/rural/sr-sess.pdf

costs to the UK fishing industry of between £350 million and £600 million. The high potential costs arising from poor management of UK fish stocks mean that it is worthwhile investing in activities to reduce the likelihood of these risks arising – thereby getting some ‘insurance’ against stock collapse or industry failure.

There are many other areas where the costs of inaction can be high, particularly if critical thresholds are breached resulting in the loss of ability for resources to regenerate naturally. For example, lack of controls on fertiliser discharge can lead to eutrophication of lakes or rivers meaning downstream water users need to build expensive water treatment plants; or inadequate regulatory protection of wild populations of flowers such as orchids may lead to their becoming extinct in their natural habitat. Unlike the case of fish stocks where commercial values are readily available, and therefore measuring the costs of poor management is fairly straightforward, the orchid example is one where non-use values are arguably more important than ‘use’ or commercial values, making the cost of inaction particularly difficult to quantify.

Net Benefits: A sustainable and profitable future for UK fishing. (Prime Minister’s Strategy Unit, 2004)
www.number-10.gov.uk/su/fish/pdf/NetBenefits.pdf

• Improving ecosystem valuations

Despite the undeniable importance of ecosystem services to world economies, their contribution is hard to measure and is therefore likely to be overlooked or underestimated, compared to other more quantifiable benefits and costs.

Lack of progress in measuring and quantifying ecosystem services is believed by many to be at the heart of conservation failures. Budget indicators such as Gross Domestic Product, foreign exchange indicators and tax receipts do not recognise ecosystem values, and may in fact identify activities that destroy ecosystems as benefits.

There has consequently been a proliferation of ecosystem valuation efforts. Valuation techniques can be used to estimate the total benefits arising from ecosystems, as well as net benefits of interventions that alter ecosystem conditions. They can also allow examination of the distribution of costs and benefits from ecosystems.

However, valuation methodologies have not always been robust. Some techniques such as benefits transfer and replacement cost have been used inappropriately to the point where many economists now advise against their use altogether.

Despite these problems, most direct and indirect use values of ecosystems can be measured quite accurately and reliably. Other values including option values and existence values

are more controversial. In general, environmental valuation techniques need to evolve, and maintain credibility in order to be effective in informing the coming policy debates.

How much is an ecosystem worth? (IUCN, Nature Conservancy, and the World Bank)
<http://biodiversityeconomics.org/pdf/topics-627-00.pdf>

• What does the future hold?

The 2004 EU Environmental Policy Review, released in January, sends some strong signals about Environment Commissioner Dimas’ views on the important role of the environment in economic development.

The review comments on the expanding world market for environmental goods and services, estimated at over €500 billion in 2003, and cites recent reports that show:

- the net impact of environmental policy on jobs is neutral or slightly positive;
- eco-industries are performing well; and
- renewable energy sources increase security of energy supply and reduce economic losses from oil price volatility.

In 2005, the Commission has undertaken to:

- take full advantage of the contribution of environmental policy to competitiveness;
- continue to work with other countries to promote sustainable development; and
- develop a dialogue with emerging economies such as China to address global environmental problems and avoid competition based on reducing environmental standards.

It remains to be seen if and how the EU’s sustainable development goals will in practice be married with the Lisbon Strategy. A greater challenge still will be to ensure that nature and biodiversity are seen and promoted – in addition to preventing climate change and pollution – as a precondition for EU growth, jobs and competitiveness.

With referenda on the EU’s proposed Constitution scheduled in many Member States, the EU’s environment programmes could emerge as important for promotion of the benefits of EU membership. Successive surveys through the EU’s Eurobarometer have emphasised the popularity of the EU’s environmental policy. By contrast, the competitiveness agenda does not show high public support. If EU citizens continue to show such a strong interest in the environmental *acquis*, the chance of its being overlooked in favour of a pure focus on Lisbon are much lower – and that must be good news for all involved in working towards 2010 in all spheres of European policy.

2004 Environmental Policy Review

http://europa.eu.int/comm/environment/pdf/policy_rev_2004_en.pdf

The next **Brussels in Brief** will focus on Marine Freshwater issues within the EU.