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# How green is the European Semester process?

IEEP - Bettina Kretschmer

Based on a study for the Greens/EFA Group of the European Parliament by:

**Withana, S., Kretschmer, B., Farmer, A. (2013) *Environmental policy in the European Semester: Assessing progress to date*. IEEP: Brussels.**

29 January 2014, European Parliament

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# Introduction to the study

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**IEEP for the Greens/EFA Group, Nov-Dec 2013**

**Desk-based review of relevant European Semester documentation with limited expert input**

**Have environmental issues been mainstreamed into European Semester process to date?**

## **Agenda:**

- Overview European Semester process
- Annual Growth Surveys (AGS)
- Country-specific recommendations (CSRs)
- State of play in implementing environment-CSRs
- MS performance in key thematic areas
- Conclusions and next steps

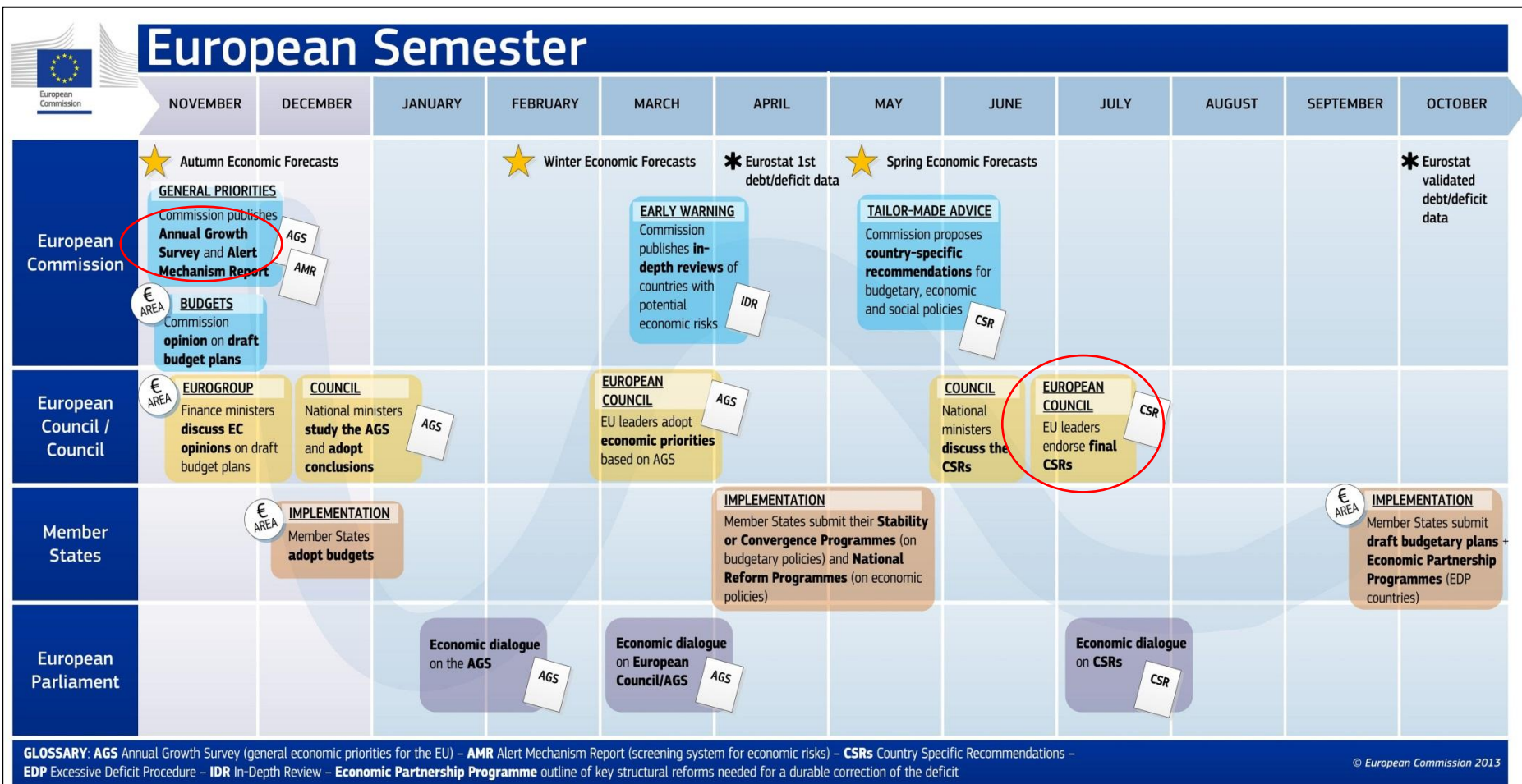
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# Overview European Semester process

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- Cycle of economic and fiscal policy coordination introduced in 2010 to keep track of progress on Europe 2020 targets brought together with reporting under the Stability and Growth Pact
- First cycle in 2011
- Currently into the 4<sup>th</sup> cycle with 2014 Annual Growth Survey published in Nov 2013



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

- **EP:** advisory role
- Feb: Own-initiative report on AGS with contributions from national parliament
- Jan/Feb: Resolution on social and employment aspects in AGS
- Opinion in late autumn on current cycle; involvement in ‘Economic Dialogue’.

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# Environmental considerations in the Annual Growth Surveys (AGS)

# Annual Growth Surveys

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- Setting out the EU's broad economic priorities for the year ahead
- Focus on growth-enhancing measures and fiscal consolidation → priority areas in AGS 2012, AGS 2013 and AGS 2014:
  1. Pursuing differentiated growth-friendly fiscal consolidation
  2. Restoring normal lending to the economy
  3. Promoting growth and competitiveness for today and tomorrow
  4. Tackling unemployment and the social consequences of the crisis
  5. Modernising public administration

# Overview of environmental issues covered in AGS 2014

Environmental issue addressed	Link to economic policy context
MS should ensure longer-term investment <i>inter alia</i> in energy and climate action	Priority area 1 'Pursuing differentiated growth-friendly fiscal consolidation'
Shift tax burden from labour taxes to <i>inter alia</i> taxes on pollution and reduce EHS	As above
Full implementation of the third energy package by 2014, complete the internal energy market, <i>inter alia</i> 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'



# AGS: Recurring environment-related themes

- **Completion of the internal energy market** and the economic benefits associated with it (e.g. enhanced security of supply, lower energy prices) as well as **improving energy efficiency** with potential employment and competitiveness effects
- **Infrastructure in the energy and transport sectors** as growth-inducing investment, stimulating jobs in the short term and laying the foundation for future growth
- Reforming taxation by **phasing out EHS** and stimulating job markets by shifting taxes away from labour and towards less distorting taxes, e.g. **environmental taxes**
- **Resource efficiency** as well as the need to **improve waste and water management**
- The growth and job potential associated with the **green economy**

- Environmental issues seen as facilitators for growth, economic and labour market recovery
- Clear focus on consolidating budgets and creating growth and jobs rather than on the wider goals set out in the Europe 2020 Strategy

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# Environmental considerations in the country-specific recommendations (CSRs)

# Country-specific recommendations

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- CSRs available: 2011, 2012, 2013
- Drafted by the EC, following an assessment of MS Stability or Convergence Programmes and National Reform Programmes (NRPs)
- Ultimately adopted by the Council and endorsed by the European Council
- MS shall take CSRs into account when drawing up national budgetary and reform policies

# CSRs: Recurring environment-related themes

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- 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 emission reduction targets
- Limited number of recommendations on water and waste management

***Annex 1 of report for overview of all environment CSRs***

# CSRs across time and Member States

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- CSRs to date are fairly constant over time, with recommendations ***re-iterated*** in following years (but with exceptions, e.g. AT, SL)
- Where recommendations are ***not repeated***, reasons remain unclear
- Overall recommendations are on a rather general level, but sometimes they become ***more specific*** over time, e.g. recommendations for ETR in Belgium
- MS with no or limited environment-related CSRs: frontrunners (e.g. AT, DK, FI, SE) or other concerns (IE, PT)

# Assessment of CSRs

- CSRs mirror AGS and their focus on fiscal consolidation and stimulating growth
- Environmental coverage mostly in relation to climate change and energy
- Resource efficiency not considered *per se* apart from ETR and limited references to water and waste management
- No full account taken of the growth-stimulating potential of environmental policy measures such as improved resource efficiency

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# State of play in implementing environment-related CSRs

# State of play in implementing environment-CSRs

- EC SWD accompanying AGS 2014: interim overview of progress by MS in implementing CSRs
- **More detailed assessment expected alongside 2014 CSRs**
- Variable progress to date; further efforts needed on:
  - GHG reduction targets (e.g. in Belgium and Luxembourg)
  - 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)

MS	Progress made
Belgium	<ul style="list-style-type: none"> <li>• Regulatory interventions in the <b>energy market</b> have led to a drop in energy prices.</li> <li>• Given projections for <b>GHG emissions</b> are well above target, more ambitious policies need to be implemented, notably in the <b>transport and building sectors</b>, including effective internal effort-sharing framework between different competent entities.</li> </ul>
Bulgaria	<ul style="list-style-type: none"> <li>• Significant reforms needed in energy sector to bring it in line with the <b>Internal Energy Market</b> and improve <b>efficiency</b>.</li> <li>• <b>Transport infrastructure</b> has experienced improvements, but considerable potential remains for improving efficiency. This is also the case in the <b>water and waste</b> sectors where administrative capacity of regulatory bodies needs to be enhanced.</li> </ul>
Cyprus	Room for additional measures in transport sector, also with a view to improving <b>energy efficiency</b> .
France	Notes that a reform to increase the <b>efficiency of the railway system</b> is underway.



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# Documents on key thematic areas focusing on the environment

# MS performance in key thematic areas

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- Thematic documents issued by the EC, covering 34 areas of relevance under Europe 2020
  - Trends identified based on common EU data sources and supplementary data from industry or consultancy reports
  - 3 out of 34 documents dedicated to environment:
    - Energy and GHG targets
    - Resource efficiency
    - Green jobs
- + taxation document addresses environmental taxation

- **Similar in tone to AGS, environmental policies seen as facilitator for economic recovery and job growth**
- **Added value unclear for some where progress is tracked separately and in more detail (e.g. biannual RE progress reports) → important to ensure alignment**

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# Conclusions and next steps

# Conclusions...

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- Mainstreaming of environmental issues limited so far
- Overriding concerns are growth, jobs and fiscal consolidation as apparent all along the process
- Where environment is mentioned, focus is on classical win-win options such as ETR, energy and transport infrastructure etc.
- Exploitation of win-wins not comprehensive and key EU policy areas ignored:
  - Biodiversity and ecosystem services (evidenced economic importance)
  - Important Europe 2020 topics side-lined such as recycling, eco-innovation, air pollution, water and waste management

# ...and next steps

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- **Future AGS:** wider interpretation of priority areas and/or separate priority area for the environment
- **Future CSRs:** wider coverage of environmental issues in support of Europe 2020 Strategy (biodiversity, ES, water, air etc.)
- Increase **ownership and engagement of MS**, e.g. through regular exchanges between MS on best practices
- **EP' role:**
  - Stress policy coherence between European Semester and EU strategic documents (e.g. 7<sup>th</sup> EAP, Resource Efficiency Roadmap)
  - Draft resolutions to set EP's key priorities ahead of AGS publication
  - Organise discussions or hearings on greening the process
- **Civil society and other stakeholders:** take Commission's 'fact finding missions' to MS as an opportunity to input
- March Environment Council will exchange views on "Greening the European Semester"



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# Thank you for your attention

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