



Time for a Bolder Budget

As governments all over Europe are absorbed with cutting expenditure, raising the pensionable age and preaching the virtues of austerity, the coming debate on EU spending is opening the door to a much longer term agenda. This offers some hope. With a leap of political courage, the foundations could be laid now for a more sustainable future. This week's Budget Review from the Commission refers frequently to a 'resource efficient economy'. This aspiration is at least a starting point.

The long-awaited Budget Review is vague, cautious and scrupulous in avoiding any mention of future spending priorities or sums involved beyond 2013. It does, however, in places, show a willingness to challenge existing nostrums and vested interests. The budget should be geared to future not past needs and to securing real value added. Climate, energy and massive infrastructure challenges must be addressed and important concepts such as cohesion reinterpreted in this light. On the critical issue of climate the Review signposts the role that could be played by a large new dedicated fund and by 'EU project bonds' only to withdraw to safer ground with vague references to re-prioritising spending and 'political' earmarking. The clear need for climate proofing expenditure is skirted round. The full spectrum of options needs to be more explicit and more fully explored for a serious debate. This must also encompass, including the 'green' taxes listed as a potential means of financing EU activities in the future. Adjustments at the margin will not deliver a low carbon economy

The Commission's prospective paper on the CAP is due on 17 November but a leaked version this month unveiled what is to come. While the language is guarded and much is left open, this document does make it plain that there is little justification to continue with direct payments to farmers as they are, that more targeting and re-distribution of agricultural spending is needed, however unpopular with recipients, and that environmental objectives need to be pursued more effectively. A proposed model for greening the direct payments which dominate spending raises many questions. However, the potential is there for a transformation of the CAP, particularly if the rural development/environment arm of the policy is taken forward more vigorously as well.

Ironically, with a key global meeting on biodiversity taking place in Nagoya, where Europe will declare its substantive ambitions for 2020, there is little clue in either paper about how these will be funded. Yet a re-focussed CAP with a strong emphasis on environmental public good provision would be an excellent vehicle for rewarding appropriate land management on a reasonable scale. According to the recently launched final UN TEEB report, directing funding to biodiversity actually supports sustainable development and EU growth, and in this way investment in nature can more than pay for itself. While climate goals and resource efficiency are starting to read across into EU spending plans, partly because they figure in the all-powerful Europe 2020 strategy, the same must be achieved for biodiversity.

Outlines of more adventurous and strategic thinking can be discerned in both the budget and CAP documents, elliptical though they are. Now these must be taken many stages further before the dust settles in 2012/2013.

David Baldock
Director IEEP

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TEEB's Nagoya launch to contribute to policy momentum and future perspectives

The second phase of The Economics of Ecosystems and Biodiversity (TEEB) initiative is approaching its conclusion. The Synthesis Report - Mainstreaming The Economics of Nature: A Synthesis of the Approach, Conclusions and Recommendations of TEEB - will be launched on 20 October 2010 at the 10th meeting of the Conference of Parties to the Convention (COP 10) on Biological Diversity (CBD) in Nagoya, Japan.

In Nagoya, the TEEB team will present results and contribute to discussions at nearly 20 events over the two weeks. These events will focus on international and national policy, local and regional policy and practice, business opportunities and responsibilities, and the underlying economic and scientific foundations of the value of biodiversity for the economy, livelihoods and wellbeing.

Country support for TEEB is also increasing. Started as an initiative of the European Commission and the German

Federal Ministry of Environment, TEEB has subsequently gathered support from the UK, the Netherlands, Norway and Sweden, and more recently also Belgium and Japan.

Overall, TEEB is already contributing to positive policy momentum to help encourage success at Nagoya and beyond, and its importance has been increasingly recognised by policy makers. The European Parliament, in its recent Resolution on the EU strategic objectives for the CBD COP 10, took the view that '...the decisions to be taken at COP 10 need, in particular, to reflect the findings of the TEEB study and build on its recommendations, i.e. that the costs of biodiversity loss and the value of biodiversity need to be reflected in national accounts'. It goes on to underline that this, accompanied by the use of market instruments (such as habitat banking and payment for ecosystem services), is the key to both understanding and addressing the financial and economic consequences of the biodiversity crisis.

Similarly, TEEB was reflected in the Belgian Presidency's Message from Ghent for Biodiversity post-2010: 'We must ensure that the new approach provided by the TEEB study, i.e. to focus on economic valuation of ecosystem services, and its recommendations are fully understood and operationalised by taking into account the real value of ecosystem services.'

TEEB has also received a range of high level endorsements, including from the European Network of the heads of Nature Conservation Agencies (ENCA), and CEEWeb, a pan-European network of environmental NGOs.

Post Nagoya, TEEB work will continue. Firstly the TEEB reports will be published by Earthscan, with 'The Economics of Ecosystems and Biodiversity in National and International Policy Making', edited by Patrick ten Brink, of IEEP, scheduled for release in March 2011.

In addition, there is a growing interest in launching TEEB assessments, including TEEB for India, and also TEEB for Brazil, offering additional rich insights into the value of biodiversity and creating a potential for additional policy responses suited to national opportunities in important emerging economies.

Finally, discussions with a range of governments are ongoing as regards potential additional activities for 2011 and beyond.

Contact: Marianne Kettunen,
Patrick ten Brink

Benefits outweigh the costs of Natura 2000

The establishment of the Natura 2000 network is at an advanced stage. The nearly-completed terrestrial network consists of roughly 26,000 sites and covers almost 18 per cent of the EU territory. The focus will now increasingly shift to effective protection, management and restoration, as well as finalising the list of marine Natura 2000 sites. The next period will be critical for making Natura 2000 fully operational.

In this regard, the knowledge base on the financial requirements of Natura 2000 needs to be updated and increased to estimate whether the financial resources foreseen for the network's future management and restoration are adequate. Emphasising the socio-economic benefits of Natura 2000 will also be necessary to facilitate the preparation of funding applications, and to encourage regional and local acceptance of the network.

An IEEP-led study on the costs and benefits of Natura 2000 was designed to support the European Commission in obtaining an accurate estimate of the costs of managing the

network compared to its benefits. Building on the results of an extensive consultation process, the annual costs of implementing the Natura 2000 network were estimated at €5.8 billion per year for the EU-27. Indicative information on the current level of support from the present EU budget suggests that these financial requirements are around four times higher than the likely annual contribution to biodiversity for the current financing period. On the other hand, a number of examples presented in the study demonstrate that the socio-economic benefits associated with Natura 2000 (e.g. tourism and recreation, water quality and flood control) can be far larger than the associated costs. This re-iterates the importance of investing in the network and highlighting potential cost savings.

For more details and the full set of results and recommendations please see the final study, which is available on the European Commission website.

Contact: Sonja Gantioler

Strategies to climate proof the future EU budget

The EU budget is a crucial tool for delivering policy change. The 'no taboo' EU budget review launched in 2007 was seen as a strategic window of opportunity to bring about a genuine budgetary reform to reflect the new challenges and strategic priorities faced by the EU, climate change being one of them. Although the momentum may appear to have been lost, the discussions will resume in full strength this autumn after the mid-October publication of the long-awaited Commission Communication on the EU budget review.

Meanwhile, climate change policies – both for mitigation and adaptation – have steadily gained prominence in EU policy making in recent years. Ultimately, the 20/20/20 climate and energy targets formed one of headline targets of the new overarching Europe 2020 Strategy, endorsed by the European Council in June 2010, moving climate and energy considerations closer to traditional economic and social objectives. The ramifications of this pose fundamental questions on the scale, design and scope of the future EU budget, which will form the core of the negotiations on the post-2013 financial perspective of the EU in the coming years. 'Climate proofing' of the future budget has been called for; however, the term is not yet properly defined and it is still unclear how to operationalise it in practice.

IEEP is currently carrying out a project aimed



Picture: Hannah Lee

at bringing conceptual clarity to what 'climate proofing' the EU budget means. The working definition of 'climate proofing' entails the exploration of both mitigation and adaptation actions, both in terms of stepping up the dedicated funding for climate change and increasing the sensitivity of EU funding instruments to climate objectives so as to minimise activities with potential climate change impacts. The assumption is that 'climate proofing' can be

delivered by ensuring policy coherence between traditional sectoral and climate change objectives. This should lead to concrete outcomes, including facilitating decarbonisation and strengthening the resilience of the EU economy. Achieving this will require the development of concrete 'climate proofing' strategies and instruments. Any attempt at climate proofing the budget will therefore have to engage with a set of dynamic, complex processes involving

diverse actors, institutions and procedures across sectors, governance levels, geographies and timescales.

In November, IEEP is planning a small expert workshop on examining potential strategies and instruments for climate proofing the EU budget. The final project report is due in February 2011 and will provide strategic, but also operational, policy recommendations with regards to the future Cohesion Policy for investments in transport, energy and housing. The interim report is available on IEEP's website.

Contact: Keti Medarova-Bergstrom, Pernille Schiellerup

Reviewing the 6th Environment Action Programme

The 6th Environment Action Programme (6th EAP) was adopted in July 2002 and establishes a ten-year framework for EU action on the environment. As the 6th EAP nears its last phase, preparations for its final assessment have begun. The Commission's own assessment is expected in 2011 and a number of independent evaluations are underway. This assessment of the EU's environmental policy framework takes place in parallel to a number of other important strategic discussions including the development of the EU 2020 Strategy and a comprehensive review of the EU budget.

Much has changed since the 6th EAP's adoption. The EU is now operating in a very different political and legal framework which has seen the election of two new Parliaments, two new Commissions, an enlarged Union to include 27 members and the

entry into force of the Lisbon Treaty. Political priorities have also shifted over time and for the most part have veered towards a prioritisation of economic and social issues, a trend further exacerbated by the 2008-2009 financial and economic crises.

Against this backdrop, the EU has successfully adopted a number of new environmental policies and measures, agreed ambitious targets, and developed cross-cutting strategies. The extent to which the 6th EAP has driven developments in the environmental field is however unclear. Reflecting on the role and added value of the 6th EAP are important aspects of the forthcoming evaluations, and should inform and help to shape the type of environmental policy framework the EU may adopt in 2012.

IEEP has completed three studies relating to the 6th EAP for the Brussels Capital Region's Environment

Agency (IBGE-BIM) in preparation for the Belgian Presidency of the Council. The first study will feed into the debate on the added value of the 6th EAP and explores issues relating to the implementation of the Programme and interactions with the EU Sustainable Development and Lisbon Strategies. The second study explores the better regulation approach to environmental policy in the context of implementing the 6th EAP. The third study evaluates the EU's progress on the external dimension of the 6th EAP, examining relevant external and internal policy instruments. The results of these studies will be presented at a conference organised by IBGE-BIM in the context of the Belgian EU Presidency on 25-26 November 2010 entitled 'Europe Environment Policy: what's next?...Towards a genuine 7th Environment Action Programme'.

Contact: Sirini Withana

Improving knowledge on biodiversity

In 2001, EU Heads of State and Government committed to halting the decline of biodiversity in the EU by 2010 and to restoring habitats and natural systems. To achieve this objective, in May 2006 the European Commission adopted a Communication on 'Halting Biodiversity Loss by 2010 – and Beyond: Sustaining ecosystem services for human well-being' (COM(2006)216) which was accompanied by a detailed EU Biodiversity Action Plan (BAP). The BAP describes over 150 actions and outlines responsibilities of the EU institutions and Member States around four main policy issues: biodiversity in the EU; the EU and global biodiversity; biodiversity and climate change; and the knowledge base.

IIEP, in a consortium led by MRAG, assisted the Commission in the mid-term assessment (2008) and full-term assessment (2010) of the

implementation of the BAP, by developing an information system to support the biodiversity policy cycle in the EU.

The 2010 assessment concludes that Europe's biodiversity remains under



Picture: Samuela Bassi

severe threat from changes in land use, pollution, invasive species and climate

change. The EU biodiversity policy framework will need to be further strengthened to adequately address those challenges, by: making progress on the integration of biodiversity considerations into other sectoral policies; making available the necessary funding; and filling existing policy gaps such as on invasive alien species.

Important lessons learned from implementing the BAP will underpin the EU's post-2010 strategy. In this regard, the consortium also carried out an assessment of the existing BAP as a tool for implementing biodiversity policy, to establish its successes and failures, and strengths and weaknesses.

For more details and the full set of recommendations please see the final report, which is available on the European Commission website.

Contact: Sonja Gantioler

How EU Member States are using CAP funds to deliver public goods from Forestry

The forests and woodlands of Europe tend to be overlooked in the increasingly lively debate about the role of the CAP in providing environmental and social public goods from farmland. But forests are important too – they cover 37% of the EU-27 land area, help to protect soil, water resources and biodiversity, store carbon and provide raw materials and jobs for the renewable energy sector.

The European Network for Rural Development has commissioned IIEP to assist with a Thematic Initiative on forestry, gathering information about forestry within RDPs and highlighting case study examples of CAP support for multi-functional forestry across the EU.

The rural development 'pillar' of the CAP offers eight measures specifically for forestry, with a strong emphasis on sustainable forest management. A total of €12 billion of public expenditure has been allocated to these measures for the 2007-13 period.

One of the most popular measures is for the afforestation of farmland, by planting or natural regeneration. In Extremadura (Spain) this helps to establish native oaks, characteristic of the open dehesa landscapes, in areas with poor tree cover and

threatened by desertification. In northern Europe investment in forest protection is mainly to restore forests damaged by storms or floods, but in Mediterranean regions the priority is to reduce fire risk, for example by maintaining firebreaks and a diversity of vegetation. Payments for establishing new agro-forestry systems, where extensive farming and forestry are combined on the same land, were introduced in 2007 and are already being used in 17 Rural Development Programmes (RDPs), mainly in the Mediterranean region, Hungary and the UK.

Several Member States are using RDP investment support to make their forest owners more competitive in the renewable energy market. In the Veneto region of Italy investment will improve the processing of forestry biomass by private forest owners, communes and associations, while in Emilia Romagna farmers will be helped to diversify into renewable energy installations <1 MW which could be fuelled by forestry biomass, such as poplar grown in short rotation forestry.

Contact: Clunie Keenleyside

IEEP CONFERENCES AND EVENTS

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

Launch of TEEB report at the Tenth meeting of the Conference of the Parties (COP 10) to the Convention on Biological Diversity (CBD) – Nagoya (Japan), 18-29 October 2010

Patrick ten Brink will attend COP 10 to present the report 'The Economics of Ecosystems and Biodiversity (TEEB) in National and International Policy Making', which has been coordinated by IEEP, at four different events. The TEEB synthesis report, to which IEEP also contributed, and the key findings of other TEEB reports will also be presented in Nagoya on 20 October 2010. IEEP will be presenting on the following topics:

- TEEB: National policy findings and options and examples of best valuation practice – 21 October 2010
- TEEB, biodiversity and water-related ecosystem services – 22 October 2010
- The TEEB response to the WBCSD report 'Effective biodiversity and ecosystem policy and regulation – business input to the CBD' – 25 October 2010
- The value of ecosystems and biodiversity to the economy, society and political decision making: the TEEB approach for policy makers – 25 October 2010

For further details please see the CBD COP 10 and TEEB websites. Contact: Patrick ten Brink

Crop World Conference – London (Excel Centre), 2 November 2010

David Baldock, Director of IEEP, will speak at the forthcoming Crop World Conference on 'Understanding the CAP and current developments and the impact on sustainable rural development'. Contact: David Baldock

Ecological tax reform and phasing out environmental harmful subsidies - How a budget reform can contribute to climate protection – University of Vienna (Austria), 9 November 2010

Patrick ten Brink has been invited to present at this Austrian event, which aims to demonstrate reasonable ways of combining finance policy and ecological purposes, in view of the upcoming Austrian austerity plan. Patrick will provide insights on environmentally harmful subsidy (EHS) reform. Contact: Patrick Ten Brink

Conference: 'How can we green the EU Common Agricultural Policy?' - Lake Bled (Slovenia), 12-14 November 2010

David Baldock will speak at this conference organised by Avalon, providing an overview on 'greener' agriculture. The conference will focus on how to improve the existing efforts to green the CAP, and adjust it to the real needs of the new Member States and non-EU countries aspiring to EU membership. Further details are available on the Avalon website. Contact: David Baldock

Project workshop: European Policies to Promote Sustainable Consumption Patterns – Brussels (Belgium), 15 November 2010

Doreen Fedrigo-Fazio will make a keynote presentation on sustainable consumption policies and respective research at a workshop organised within the EUPOPP project, which will present and discuss preliminary findings on Material Flow Analysis and Scenarios in Sustainable Consumption on instruments for food and housing with regard to sustainable consumption. Contact: Doreen Fedrigo-Fazio

ACE (Alliance for Beverage Cartons and the Environment) General Assembly – Brussels (Belgium), 19 November 2010

Doreen Fedrigo-Fazio will make a keynote speech on sustainable consumption and production in relation to the beverage carton industry at the ACE General Assembly. ACE members include beverage carton producers and their main paperboard suppliers in Europe. Contact: Doreen Fedrigo-Fazio

Conference: Europe Environment Policy: what's next?....Towards a genuine 7th Environment Action Programme' – Brussels (Belgium), 25-26 November 2010

Marc Pallemmaerts will speak at this high-level conference, organised by Brussels Environment in the context of the Belgian EU Presidency. This conference aims to stimulate discussion on the successor to the 6th Environment Action Programme. See conference website for further details. Contact: Marc Pallemmaerts or Sirini Withana