



IIEP Newsletter

Spring 2006

Our second newsletter covers eleven topics of our research, but also aims to give some perspective on related policy issues. Thanks to those who have commented on or sent encouragement over our first newsletter.

This is a year in which sustainable development should be high on the EU agenda (see Review of the Sustainable Development Strategy below). This requires a change of mood from last year when so much emphasis was laid on economic performance. One test will be the new High Level Group on Energy, Environment and Competitiveness recently launched by four Commissioners. Sir Ken Collins, one of IIEP's Trustees, is a member of the group which is tackling a huge range of topics with few environmental representatives involved. We are keeping in close touch following our experience on last year's High Level Group, CARS21.

Policies to improve the environmental performance of cars remain a priority. The transport group has written a paper entitled *A Feebate scheme for the UK* that sets out a new system for incentivising the purchase of low carbon cars. This paper has recently won a competition run by the Low Carbon Vehicle Partnership.

Our work on climate change covers an increasingly wide spectrum. Amongst the priorities for the year are further analysis of policy on emissions trading and carbon capture and storage. Environmental aspects of the developing debate on biofuels are also engaging both the transport and agriculture teams.

But climate policy isn't everything, as you will see from the following articles.

David Baldock
Director

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1. Strengthening the EU's Sustainable Development Strategy

Mention the EU's Sustainable Development Strategy (EU SDS) to most people and you'll be met with blank incomprehension. Regularly ignored by EU Heads of government and confusingly spread between several different documents, the EU SDS has suffered from an almost invisible profile since its launch in 2001. Yet it is important as a statement of core environmental objectives and as a potential counterweight to the EU's over-arching Lisbon strategy, with its strong focus on boosting growth and jobs.

The EU SDS is currently undergoing a (delayed) review by the Council of Ministers, by MEPs, and by stakeholders in the framework of the Economic and Social Committee. The intention is to secure agreement to a new strategy at next June's EU summit. This is not a simple exercise, partly because the essentially cross-cutting objective of sustainable development does not fit easily within the EU's compartmentalised institutional framework, and partly because its relationship to numerous more limited and specific EU strategies relevant to sustainable development is unclear.

IEEP has always taken a close interest in how to integrate the environment into other EU policies and strategies, and last year during the UK's Presidency, we helped DEFRA organise the annual meeting (in Windsor) of the EU sustainable development network – the regular gathering of government officials from the EU 25 with responsibility for their national SD strategies. The review of the EU SDS was a key item on the agenda. IEEP is also contributing to the work of an informal DEFRA expert group on what the priorities of a revised EU SDS should be.

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2. Assessing the impact of cross compliance: have your say

Cross compliance was introduced in 2005 to help improve the environmental performance of European agriculture; but what impact is the policy having on the sustainable management of the EU's rural areas? IEEP and eight other research organisations from across the EU, along with stakeholders from across Europe, are aiming to answer this and other key questions as part of a new project for the European Commission.

Stakeholders from all Member States and candidate countries will be invited to a series of seminars to reflect on and discuss the impacts of cross compliance. The first seminar will consider the environmental relevance of cross compliance rules, the relationship of cross compliance with rural development measures, the administrative approaches adopted by Member States, and the development of national farm advisory systems. Papers on each topic and will form the basis for an vigorous debate and exchange of ideas.

If you work on cross compliance issues in any Member State and would be interested in receiving updates on the project as well as an invitation to each seminar, please email Martin Farmer (mfarmer@ieeplondon.org.uk). A dedicated website is being established for this project and will be online soon at <http://www.ieep.org.uk/>

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3. The role of forestry in UK rural development programmes

Forestry is gaining prominence across the EU for the role it can play in multifunctional rural development. Appropriate woodland management practices can deliver a range of benefits, not only for the environment, but also for local rural economies and the public at large. A range of forestry measures feature in the new European Agricultural Fund for Rural Development (EAFRD), and IEEP was asked to explore the potential for using these in the UK. Drawing on input from stakeholders, recommendations have been developed that will help stakeholders to respond to consultations on national Rural Development Plans over the coming months. This work was conducted for the Land Use Policy Group and the report will be available soon from the LUPG website (<http://www.lupg.org.uk/>).

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4. The environmental contribution of the Leader + initiative

Leader + is an EU co-financed Community Initiative to stimulate bottom-up development in rural areas under the guidance of a Local Action Group (LAG). The Leader approach has specific characteristics developed from models of international rural development work during the 1970s and 1980s. IEEP has selected a range of LAGs and Leader + projects from across the UK countries for further evaluation, in order to learn more about the programme and its strengths and weaknesses.

The results were illuminating. We found that the direct impacts are often limited, reflecting the small-scale nature of projects, but as an approach to rural development Leader has much to offer in bringing together individuals, organisations and communities to work together to achieve environmental objectives and targets. Leader now forms part of the new European Agricultural Fund for Rural Development (EAFRD). While Leader will attract up to 5 per cent of the total available funding for 2007-2013, it can also play a significant role in the delivery of the other 95 per cent and make a real contribution to environmental sustainability.

The report should help stakeholders to respond to consultations on national Rural Development Plans in the coming months. The report will be available from the LUPG website soon (www.lupg.org.uk).

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5. Mid-term review of the 6th Environment Action Programme

The EU's 6th Environmental Action Programme (EAP) was formally adopted in July 2002. It lays down the key environmental objectives and priorities for EU environmental policy for 2002-2012, and provides for a range of measures and strategic approaches to be implemented to achieve them.

The Programme requires the Commission to submit a mid-term report to review progress by next summer, and this is currently in preparation. The Commission sees this as an opportunity not only to evaluate progress but also to assess the ongoing relevance of the 6th EAP actions and to focus future action on priorities that reflect the most pressing environmental challenges.

The review reflects the four 'key environmental priorities' identified by the 6th EAP (climate change, nature and biodiversity, environment and health and natural resources and wastes) and also address cross-cutting strategic and implementation issues. The report is being drafted by the Commission services but will be submitted to a panel of external experts for review prior to its publication. IEEP Director David Baldock is one of twelve experts nominated by the Commission to participate in this panel, which will meet at the end of April with the new Director-General of DG Environment, Peter Carl.

In the meantime, IEEP has also been commissioned by the European Environmental Bureau (EEB) to undertake an independent assessment of the implementation of the 6th EAP. This report will cover a broad cross-section of key issues in all four priority areas and seek to draw general conclusions. It should be completed by the end of March, and will be published by EEB as a timely contribution to the policy debate.

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6. A helping hand for Europe's SMEs: Improving environmental compliance and performance

The revised Lisbon Strategy, launched in March 2005, placed a renewed emphasis on the competitiveness of the EU economy, and the need for higher levels of economic growth and employment. Small and Medium Sized Enterprises (SMEs) are a key part of this agenda, given that they account for 99 per cent of all businesses, provide two-thirds of the 122 million jobs in private enterprises and deliver 60 per cent of overall value added.

As with their larger counterparts, SMEs can exert considerable pressure on the environment. However, these enterprises are often unaware of their environmental impacts, or of the environmental legislation affecting their operations. Consequently environmental threats can go undetected, environmental protection can be under-mined, and SMEs often miss the chance to benefit economically from the opportunities presented by better environmental management. This is due, in part, to a number of barriers typically faced by SMEs, such as the limited staff and financial resources available to them, a lack of information and awareness, and a view that environmental management is peripheral to core business.

To help overcome these barriers, DG Environment is currently preparing a 'Compliance Assistance Programme' to help SMEs comply with environmental legislation and improve their environmental performance. To inform the programme, in January 2006 IEEP was commissioned to identify the most relevant, most effective and most innovative tools already in place in the EU and beyond to help SMEs in this area. The project will conclude in June 2006, and the Commission's Compliance Assistance Programme will follow later in the year.

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7. Using sustainability indicators to improve EU fisheries management

Indicators can be valuable tools for tracking changes in the marine environment, and to reflect this, the EU has committed funds to a series of interesting projects that should help provide a more holistic approach to fisheries management, using the ecosystem approach.

One such project is INDECO, which involves 20 partner organisations from 11 Member States currently working on 'state of the art' indicators, and is coordinated by IEEP. So far, teams have reviewed the current research on biological and economic indicators and are now in the process of identifying the most useful ones for EU fisheries management. The project involves mainly biologists and social scientists, but also mathematicians who are modelling the usefulness of indicators, and policy researchers from IEEP who are concerned with the relevance of the research to policy change.

The second INDECO Conference will be held in May in Athens. The aim of the Conference is to update stakeholders progress and to invite input for the next and final phase. A range of stakeholders including the European Commission, MEPs, fisheries representatives and NGOs will participate, and there will be both presentations by experts and focussed panel discussions.

For further information on INDECO, please visit the project mini website: http://www.ieep.org.uk/research/INDECO/INDECO_Home.htm

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8. UK agencies' whistle-stop tour of Brussels

What goes on in Brussels is increasingly important to the work of the UK's statutory nature conservation agencies, so it is vital that key staff are plugged into EU policy developments, and can influence the way that future policy is shaped.

As part of its '[EU Advisory Services](#)', in February 2006 IEEP led a two-day study tour around the Brussels 'policy scene' for 24 representatives from English Nature, Scottish Natural Heritage (SNH), the Countryside Council for Wales (CCW) and the Joint Nature Conservation Committee (JNCC). The group met with several key policy leads from DG Environment and the Secretariat General; saw a European Parliament mini plenary session in action; gained an insight into the workings of European Parliament through fascinating meetings with Caroline Jackson MEP and Jill Evans MEP, and Francis Jacobs of the Environment Committee Secretariat; learnt more about the role of the Council and the UK representation in Brussels (UKREP); and developed links with Brussels based NGO, the European Environment Bureau (EEB). Attendees thoroughly enjoyed the tour, and felt that they came home more enthused and better equipped to influence the development of EU policy.

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9. IPPC Directive revision: potential new amendments and streamlining

In 2003, seven years after the entry into force of the Integrated Pollution Prevention and Control (IPPC) Directive, the Commission decided to review progress and experience in implementation, and launched a consultation on its possible future development. Stakeholders raised a range of concerns and argued for improvements. It was clear that some terms and provisions in the Directive needed clarification, some links in other directives needed sorting out and some new industrial activities could usefully come under the Directive. In addition, some argued that further significant changes were also needed, eg to enable emission trading for certain pollutants. Accordingly, in late 2005 the Commission launched five studies intended to examine what could usefully and practically be done to revise and improve the Directive. IEEP is currently working on two of these studies covering:

- Data gathering and impact assessment for possible technical amendments to the Directive
- Streamlining legislation on industrial emissions and analysis of the interaction between the IPPC Directive and possible emission trading schemes for NO_x and SO₂

Revision of the Directive is potentially controversial. Clearly it is important to understand what improvements are needed now in order to get the long process of revision under way, but on the other hand, Member States are still busy implementing this very complex legislation, so conclusions might be premature. Several feel strongly that the review is premature, but others argue that the spirit and approach of IPPC will not be undermined and the potential improvements will be worth it.

The reports will be available on the IEEP website and details of the review process are available on the European Commission site (http://forum.europa.eu.int/Public/irc/env/ippc_rev/library).

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10. Market based instruments for environmental policy in Europe

Market based instruments are increasingly being used across Europe. Carbon emissions trading, for example is now central to EU climate change policy. New leaders in the use of taxes and charges are emerging, with the UK and Germany catching up and in places leaping ahead of traditionally more advanced Scandinavian and Dutch practice. Better tuning of subsidies to environmental objectives is now occurring and both environmental liability and compensation are getting more attention. The development of each of these instruments is covered in a recent European Environment Agency (EEA) report - *Using the market for cost-effective environmental policy and Market based instruments for environmental policy in Europe*.

The EEA's compendium is based mainly on reports from a team led by IEEP, which identify a range of key lessons for developing economic instruments. For example, having a 'champion' who is willing to take risks with innovation is vital. 'Picking winners' by focussing on the issues for which there is agreement and get them addressed can help; but it is also important to keep things simple, understandable and realistic. It is also vital that interconnections with other measures are understood, and that stakeholders know in advance so that they have time to prepare for change.

The reports are available on the EEA website:

http://reports.eea.eu.int/technical_report_2005_8/en/EEA_technical_report_8_2005.pdf

http://reports.eea.eu.int/eea_report_2006_1/en/EEA_report_1_2006.pdf

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11. Exploration of options for the implementation of the Open Method of Coordination (OMC) for environmental policy

Over the past three years there has been much talk of the potential for a relatively new approach to decision making on environmental policy in the EU – the Open Method of Coordination, or OMC. Many have argued that the recent enlargement of the EU will make the traditional approach of dealing with issues by new legislation – the Community Method (or CM) – outdated for many purposes. OMC could be the new approach, given a new political wariness about EU regulation, particularly after the rejection of the draft Constitution; but to understand whether this idea was to be taken seriously in the environmental field, the Dutch environment Ministry VROM commissioned IEEP and Ecologic to investigate.

It quickly became apparent that some did not think of existing practice in OMC as the new paradigm; less an open method than an open mess. However further analysis showed a more complex reality. OMC is not really new in that the processes used – eg comparisons of Member state practice, benchmarking, setting indicative targets, guidance, reporting and review – are already an inherent part of the Community Method, in the environment field as elsewhere. OMC can in this sense be a valuable bridge to CM, helping for example to clarify what legislation could contain. Furthermore, OMC can help to implement regulatory measures – as work on inspection has shown.

Hence both OMC and CM have a role, but there are some fine judgments about which is appropriate for the challenge at hand. To aid the reflections four cases are explored in depth in our analysis - on ETAP, ENAP, WFD and IMPEL. If this plethora of acronyms intrigues rather than deters you, please read the IEEP/Ecologic reports for VROM, available on IEEP's website at <http://www.ieep.org.uk/>

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