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COUNCIL**

**THE COLOGNE REPORT ON ENVIRONMENTAL INTEGRATION**

**Mainstreaming of environmental policy**

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## 1. INTRODUCTION

At the European Council Meeting in Vienna in December 1998 the Commission was requested to submit a progress report on mainstreaming of environmental policy to the Cologne Summit, including action within the Commission.

This report is part of the process launched at the Luxembourg Summit in December 1997. At the Cardiff Summit the European Council invited all relevant sectoral Councils to establish their own strategies for giving effect to environmental integration and sustainable development within their policy areas. The Transport, Energy and Agriculture Councils were invited to start this process. In Vienna, the Heads of State and Government invited the Council to develop further this work in other Community policies, particularly in the Development, Internal Market and Industry Councils. They also asked the Council to put emphasis on the environmental dimension of employment and enlargement.

The **Amsterdam Treaty** came into force on 1 May. Article 6 of the EC Treaty now lays down the obligation to integrate the environment into the Community policies.

The Cologne European Council must give further momentum to this process leading to Helsinki. At Helsinki, the European Council will review the overall progress on integrating environment and sustainable development in order to link the sectoral strategies developed by the various Councils. It will also consider a report from the Commission on future strategy and an indicators report for monitoring the progress. Heads of State and Government will have an opportunity for an in-depth discussion on the mainstreaming of environmental policy, to make concrete decisions and to chart the way forward towards sustainable development.

This report on integration is closely linked to the separate report by the Commission on a Climate Change strategy for the EU. Decisions on integrating environmental concerns into transport and energy policy will be essential if the Union is to begin to take steps to meet its ambitious target. Further progress on introducing economic instruments is very important in this context. The situation in the agricultural sector needs to be assessed in the light of the decisions on Agenda 2000.

## 2. INTEGRATION EFFORTS BY THE COMMISSION

In the three sectors, transport, energy and agriculture, the Commission, in co-operation with the Member States and the European Environment Agency, is developing sets of indicators for the integration of the environment into these sectors. These **indicators** will be used as a tool for communication between policy makers and socio-economic actors and form part of the mechanisms for sectoral environment reporting. At the Helsinki Summit, the Commission will present a co-ordinated report on indicators, which will only be possible with the participation and support of the Member States.

At Cardiff, the Heads of State endorsed the principle that major Commission policy proposals should be accompanied by an appraisal of their environmental impact. A review of the current system of marking new legislative proposals with a "green star" in the Commission Working Programme showed that this system was insufficient. The weaknesses of the Green Star System are its narrow scope and difficulties in attributing the green stars due to the limited information on the environmental impact. For these reasons the follow-up proved to be difficult.

In the light of Article 6 of the EC Treaty, the Commission is therefore considering phasing out the old system and replacing it by **new integration strategies** that are embedded in the broader context of policy making. The new strategies might operate on the basis of a tools guide including a screening list and a set of appropriate assessment methods. This could reinforce the importance of sectoral policy statements and the evaluation of likely environmental impacts of all policies. Each individual sector would be responsible for the application of this new and comprehensive concept. The Commission services have produced a study measuring the success of its internal exercise on **Green Housekeeping** - the aim of ensuring good environmental practice in the Commission's internal administration. The study shows real progress. Beyond that, the Commission will consider its participation in the Community's eco-management and audit scheme (EMAS) once the new Council Regulation is adopted. The new EMAS Council Regulation will offer organisations the possibility to improve their environmental performance by establishing environmental management systems and reporting their environmental achievements to the public and other interested parties. By a range of short, medium and long term actions the Commission aims at applying the highest standards of environmental care. The European Parliament has recognised the Commission's leading role in "greening" the administrative working environment and has invited all Community institutions and other bodies to follow the Commission's example. Apart from Green Housekeeping the Commission engages itself in greening its budget. This is a process that ensures the environmentally friendly spending from budget lines which serve primarily to implement objectives of other (Community) policies. In December 1997 the Commission produced a document on the progress of the "greening" of the Community budget<sup>1</sup>.

**The Fifth Framework Programme for Research and Development**<sup>2</sup> also provides further opportunities for environment related research.

The annex to this report identifies further initiatives that have been undertaken by the Commission to ensure that environmental concerns are taken into account.

### 3. CLIMATE CHANGE

The leadership of the European Union (EU) in achieving progress on climate change at international level has always been critical. Major domestic efforts are necessary to meet the Kyoto target and only they will allow the EU to stay credible in its leading role. European leadership offers economic advantages and employment opportunities through improved energy-efficiency and the export potential of new technologies. Better technology alone is not sufficient to reduce emissions, however. Therefore the development of new technologies needs to be accompanied by structural changes, especially in the transport and energy sector.

The Commission has made a variety of proposals during the past few years that would contribute to structural changes in the **transport and energy** sectors. In transport, they

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<sup>1</sup> Commission Staff Working Paper "Greening of the Budget", SEC(97)2345 of 10 December 1997

<sup>2</sup> Fifth Framework Programme of the European Community for Research, Technological Development and Demonstration Activities (1998-2002)

are designed to rebalance the incentives for rail vis-à-vis road transport, like the railway liberalisation and fair and efficient pricing. On energy, key proposals include energy conservation, promoting renewable energy sources and the energy taxation. However, the Council has been too slow in taking up these proposals and progress has been unsatisfactory. The European Council has a role in insisting on early action by the Councils concerned. In particular the proposal on energy taxation needs to be adopted urgently by ECOFIN.

The Energy and Transport Councils have to develop strategies for the Helsinki Summit that ensure a significant contribution of these sectors to the climate change objectives. A strong political signal should be given in Cologne.

#### 4. AGENDA 2000

The adoption of Agenda 2000 opens the way for the EU's enlargement and is an important step to ensure that Community funds contribute to sustainable development. The Commission regrets however that the final decisions have diminished certain environmental aspects of the original Commission proposal.

For **agriculture**, the reform package contains a number of positive environmental elements, such as the introduction of environmental protection requirements in relation to support payments. It also establishes rural development as the second pillar in the Common Agricultural Policy (CAP) with promotion of environmental protection at its core. It introduces important environmentally beneficial components within the programmes that Member States now have to establish on national and regional level. Many of these measures are voluntary but in their rural development plans Member States shall provide for agri-environmental measures. Real progress towards sustainable agriculture now depends on the extent to which Member States take up these opportunities. In Cologne, the Heads of State and Government should call on Member States to make full use of the possibilities. The Commission will monitor progress carefully.

With respect to the **structural funds**, the new regulations, covering the period until 2007, introduce or strengthen a series of measures to enhance the integration of environmental concerns into the planning and programming of new interventions. In line with the revised Treaty, protection and improvement of the environment are stated as objectives of the structural funds. Instruments such as enlarged partnerships including environmental authorities and NGOs, as well as the obligation to assess environmental impacts in ex ante evaluation of programmes and the identification of indicators to allow adjustments at mid-term, have been reinforced. Interventions in favour of the environment can be encouraged by a higher rate of co-financing. By similar means, the application of the *polluter pays principle* in infrastructure projects will be promoted. The environmental aspect also figures prominently in the guidance the Commission has issued to help national and regional authorities prepare their new development plans. In sum, the new regulations offer a host of tools for the continued greening of the funds. It is now up to the Member States to draw on them and to ensure that integration is effectively taken care of in actual implementation. In sum, the new regulations offer a host of tools for a better integration of the environmental dimension into regional and cohesion policy. It is now up to the Member States to draw on them in the actual implementation of the funds.

## 5. EMPLOYMENT

In its Communication on Environment and Employment of November 1997<sup>3</sup> the Commission outlined a strategy through which environment and employment policies could be made mutually beneficial. This approach has been actively pursued in the implementation of the revised EC Treaty.

Specifically the 1999 employment guidelines endorsed by the Vienna European Council and adopted by the Council on 22 February 1999 aim at the exploitation of the potential for job-creation offered by environmental services and technologies. They promote a reform of taxation encouraging the efficient use of natural resources while alleviating the tax burden on labour. The European Social Fund is available to respond to environment-related skill shortages and promote employment in environmental services. This approach of the potential for synergy between employment policy and environment policy was further underlined in the Commission's Communication on Community Policies in support of Employment, which underlined the importance of sustainability of growth and employment.

## 6. INTERNATIONAL DIMENSIONS

The Millennium Round of the World Trade Organisation (WTO) offers the EU the opportunity to pursue environmental integration in the context of trade liberalisation. **It would be desirable that the WTO becomes more responsive to environmental concerns.** The international economic institutions, including the multilateral trading system must contribute more to promote sustainable development.

To establish a clearer basis for consideration of the impact on the environment, the Commission has decided to undertake a **full sustainability assessment** of the new Round. This would provide a good basis for **integrating and mainstreaming environmental considerations** throughout the various trade issues on the **Millennium Round agenda.**

The particular challenges facing **developing countries** require a close link to be established between trade policies, development and environment - including climate change - policies, to **ensure their mutual supportiveness in promoting sustainable development.**

## 7. CONCLUSION

The priority for the Council in its formations Agriculture, Energy, Transport, Development, Internal Market and Industry in the six months to come must be to develop integration strategies that facilitate decisions at the Helsinki Summit.

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<sup>3</sup> COM(97)592 adopted on 18 November 1997

ECOFIN could also contribute to the integration efforts by sending a clear message on economic instruments to the Heads of State and Government in Helsinki.

For the Helsinki European Council, the Commission will in addition to the indicators report and the Global Assessment of the Fifth Environmental Action Programme present a report on progress achieved, highlighting the sectors in which substantive results have been reached and point at those which could have done more. It goes without saying that it will support the Finnish Presidency and the Council in their integration efforts.

# ANNEX to the Cologne Report on Integration

## Review of integration progress since 1997

### 1. INTEGRATION OF THE ENVIRONMENT INTO THE 1999 COMMISSION WORK PROGRAMME

The 1999 Commission Work Programme<sup>1</sup> states that the increase in needs to be satisfied, growing industrialisation, food hazards and the rapid degradation of the natural environment require a strategy of sustainable development, involving balanced resource management, to be defined and implemented.

This Work Programme defines the following priorities: Agenda 2000, the Treaty of Amsterdam with sustainable development as a core issue, the debate on institutional reform and the introduction of the Euro.

The Amsterdam Treaty entered into force on 1 May 1999. This represents a new stage in European integration. New possibilities are opened up in fields where EU action can provide real added value, in particular in the areas of freedom, security and justice, employment and social policy, health, the common foreign and security policy and last but not least sustainable development.

According to the 1999 Work Programme, the inclusion of sustainable development in the Treaty and the conclusions of the Cardiff European Council on the strategy for incorporating environmental aspects into all Community policies provide a framework for tackling environmental challenges more effectively and for improving the quality of life. It underlines that the Commission intends to facilitate this process as much as possible. Currently the Commission services are working on an overall evaluation of the implementation of the Fifth Environmental Action Programme. This evaluation will include guidelines on the revision of environment policy objectives and priorities. It will also take an active part in monitoring the conclusions of the follow-up to the Kyoto Conference on climate change in order to maintain Europe's influence and leadership in this key area.

### 2. INTEGRATION INITIATIVES AT COMMISSION LEVEL IN THE YEARS 1997 AND 1998

The following shows some examples for the successful integration of the environment into other policies in the years 1997-1998.

#### 2.1. Industry

In industry, "*The Competitiveness Report*" published in 1997 reflects the view that high environmental requirements have become an integral part of doing business and an intrinsic condition for the long-term competitiveness of industry. Environmental considerations have also been integrated in the Commission Communications "*An*

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<sup>1</sup> The Commission's Work Programme for 1999 – The policy priorities, COM(1998)604 final of 28 October 1998



*Industrial Competitiveness Policy for the EU Chemical Industry*" and *"The Competitiveness of the Recycling Industries"* as well as in the activities of specific individual sectors, such as chemicals, car industry, recycling industry, foodstuffs and recreational craft. It is worth to mention in this context the agreement achieved with the European car producers for the reduction of CO2 emissions.

Several projects were launched aiming at the promotion of eco-efficiency strategies, environmental best practices and environmental management tools. Work in this domain includes the development of initiatives such as the European Eco-Efficiency Initiative (EEEI), the European Network for Environmental Best Practices (ENEPP) and the European Business Environmental Barometer (EBEB). The Commission has also launched several studies aiming at evaluating the methods used to assess the cost-benefit and cost-effectiveness of environmental policies. They will also look at the development of methodologies for assessing impacts on environment and competitiveness.

Work on the integration of environmental considerations into product standards has been continued focussing on the forthcoming adoption of the "General Guidelines for the relationship between CEN, CENELEC and ETSI and the European Commission" and on adequate organisational procedures. The Commission has also started a major policy initiative, the Integrated Product Policy (IPP), with a strong focus on industry and other stakeholder involvement.

The Commission effort in industry policy will be intensified following the adoption on 29 April 1999 of the Industry Council Conclusions on the integration of environment and sustainable development into industrial policy. These conclusions emphasised the need to develop an integrated approach to sustainable development, taking into account the objectives of environmental protection, economic and social development. They also stressed that the Industry Council should pursue further work in this sense with a view to submitting a detailed report to the Helsinki European Council.

## **2.2. Transport**

Transport is one of the sectors explicitly mentioned in the Conclusions of the European Council in Cardiff as being a priority for integration. In June 1998 the first joint Transport and Environment Council in June 1998 was held. The joint Council invited the Commission "to facilitate the exchange of information on national and local strategies and to contribute further to the development of a Community strategy on how to achieve environmentally sustainable transport". In response the Commission has set up an Expert Group on transport and environment that is proceeding on schedule. The group has formed two working groups that focus on integration strategies and on demand-side measures. The working groups are preparing draft position papers on these topics. Further work will proceed throughout the summer with the aim of completing the plenary expert group's report in autumn. The Commission will thus be able to support the Transport Council in its aim to draw up "an ambitious yet pragmatic Community-wide work programme, with a clearly phased approach" as stated in the Conclusions of the November 1998 Council.

Indicators are a vital element of integration in order to assess the current integration situation and the progress that has already been made. The joint Council thus invited the Commission, "to develop a comprehensive set of indicators of the sustainability of transport [...] and to report on them regularly to the Council". The Transport

Environment Reporting Mechanism (TERM) is being pursued in response, in co-operation with the European Environment Agency and EUROSTAT. The preparatory work is proceeding and the Agency has produced an interim paper to document the state of play of its respective work. Currently, the preliminary set of indicators identified in earlier TERM work is undergoing revision in order to accommodate the needs of the target audience and the constraints of data availability. A first report that will also mark the beginning of the regular reporting mechanism will be published before the end of 1999.

Last but not least, reference must be made to the fact that the high level of integration aimed at in the Commission's proposals could not be kept up in all cases in the adoption process in the Council. One example is the proposal for the eurovignette. The Commission's original proposal of a system of road user charges for heavy goods vehicles that followed the EURO emission classes<sup>2</sup> was watered down. Nevertheless the principle of differentiated treatment of vehicles according to their environmental performance was retained and the directive can be considered a first step forward towards the internalisation of external costs caused by heavy good vehicles. This objective will need to be further pursued on the basis of the review clause in the directive. Last but not least, the maximum user charge rates in the Council Common Position were lower than those proposed by the Commission and Parliament.<sup>3</sup>

### 2.3. Agriculture

The process of environmental integration into agriculture has continued during this period notably through the development of the Member States agri-environment programmes. By the end of 1998, 20% of the EU agricultural area was managed by farmers under agri-environmental contracts under an EU regulation. There is considerable variation in uptake between Member States and also in the environmental benefits of the programmes supported. The total budgetary EU commitment to agri-environment in 1999 is forecast at Euro 1.9 billion and this figure will be considerably increased by the Member States' contributions. In recent years expenditure on agri-environment (EU and Member States) has reached 250-300 MECU each in France, Austria and Finland.

Apart from agri-environment, integration into the Common Market Organisations has taken place in the fruit and vegetable and the tobacco regimes.

In preparation of the CAP reform and following the Cardiff process the Commission presented a Communication on "Directions towards Sustainable Agriculture"<sup>4</sup> to the Council and Parliament in January 1999.

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<sup>2</sup> COM(96) 331, 10.7.96

<sup>3</sup> SEC(1999)104 final.

<sup>4</sup> COM (1999) 22 final

## 2.4. Structural funds and Cohesion Fund

While in the framework of the 1997-1999 Structural Funds Programme the environmental aspects have already been taken into consideration within the objective 1 programmes, the Commission has also started to put a greater emphasis on preventive environmental measures (such as eco-products and environmentally related research) in the objective 2 programmes. Specific guidelines were addressed to the Member States that included the new environmental requirements. In addition the Commission had a study on "Sustainability and the Structural Funds" in objective 2 regions published in June 1997 that identified preventive measures and best practices which were widely discussed in seminars and workshops in Member States. Finally the Commission had a handbook on environmental assessment of regional development plans and EU structural funds programmes elaborated by a consultant. A report on the "Thematic evaluation of the Impact of the Structural Funds on the Environment" is currently under preparation. It will include useful guidelines for the evaluation methods with a view to integrating environmental requirements into the new Structural Funds Programmes.

In the course of 1997 and 1998 the cohesion fund fully attained the objectives of attributing 50 % of its sources to funding of environmental projects. This is contributing to the realisation of much needed environmental integration in the cohesion countries.

## 2.5. Energy

In November 1997 the Commission adopted a White Paper defining a Community strategy and an action plan on renewable energy in order to encourage the penetration of renewable energy into the market with the aim of doubling its use between 1996 and 2010 (6% of total consumption in 1996, 12% in 2010).

In October 1998, the Commission Communication on energy entitled "Strengthening Environmental Integration within Community Energy policy"<sup>5</sup> was adopted. It examines the means of strengthening the environmental dimension of energy policy. It also identifies a balanced, realistic and flexible approach and a number of actions judged to be of significance. Three priority areas have been elaborated: energy efficiency, increasing the market share for clean energy and reducing the environmental impact of energy resources.

In December 1998, the Council adopted a decision initiating the Framework Programme *Energy* (1998-2002). Its aim was to bring within the same structure all energy policy actions in order to improve their effectiveness and to guarantee their consistency in relation to priority objectives, especially those related to environmental protection. Under the same programme the Council adopted a specific programme intended to promote international co-operation in the energy sector<sup>6</sup>.

The Council and the Parliament adopted the Fifth Framework Programme for research, technology and development (RTD) for the years 1998-2002 in December 1998. Under the thematic programme *Energy, Environment and Sustainable Development* €1,042

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<sup>5</sup> COM(98)571 final of 14 October 1998

<sup>6</sup> Council Decision 99/23/CE of 14 December 98

million has been earmarked for energy. The link between energy and environment in the same programme reflects the aim of integrating the two components.

The adoption of the Community Energy Framework Programme in 1997<sup>7</sup> aimed at creating the *Altener II* Programme (1998-2002) in order to continue the promotion of renewable energy beyond the expiry of the original *Altener* Programme.

## **2.6. International and Development co-operation**

The Regulation the Council adopted in April 1997 on environmental measures in developing countries in the context of sustainable development formalised the activities undertaken in this field. The Regulation seeks to promote measures that deal with environmental problems in developing countries and enhance the integration of environmental concerns in all programmes of EU development co-operation. This is achieved by providing seed money for special projects to support sustainable development. Following this Regulation, action was taken in 1998 to broaden the scope to mainstreaming environment more generally. A revised Regulation was presented in early 1999 which will allow for support to more strategic, structural actions such as the development of national strategies for sustainable development, developing countries participation and implementation of international conventions and capacity building.

In December 1997 an evaluation of the environmental performance of EC Programmes in developing countries was finalised. It concluded that the human resources to administer the budget and tasks given to the Community in the field of environment and development were far inferior to comparable resources in Member States or international institutions like the World Bank. It also indicated that priority should be given to pilot and demonstration projects and building capacity in developing countries in environmental policy making and implementation.

1998 saw the start of the negotiations of the successor to the Lomé Convention. The Commission had insisted on sustainable development as an objective of the new Convention and is now pursuing this aim in the negotiations with the ACP countries. The partners generally accept it but it will subsequently have to be translated in operational terms in the implementing agreements.

The Council Regulation of June 1996 on the provision of assistance to economic reform and recovery in the New Independent States (NIS) and Mongolia has introduced the element of environmental considerations into the designing and implementing of programs. Projects to address environmental problems in the NIS have been introduced into the TACIS Programme on a systematic basis since 1996. This year a new TACIS Regulation will be adopted in which the Commission has proposed to strengthen the environmental aspects of the programme including environmental integration.

Since 1995, the Phare programme has required all infrastructure projects to include environmental impact assessments. In addition, Phare has financed specific environmental programmes within the candidate countries. The importance of environmental sustainability within the Phare programme is a key principle within the new Phare guidelines.

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<sup>7</sup> Com(97)87 final

## 2.7. Single Market

The Commission Communication to the European Council in Amsterdam entitled "*Action Plan for the Single Market*"<sup>8</sup> underlined that only a Single Market in which the social dimension is enhanced and the consumer rights as well as health and the environment are protected can be a priority objective for the benefit of all citizens.

Currently work on another Commission Communication on the Single Market and the environment is being prepared. This Communication will, *inter alia*, identify key areas for further discussion and action to enhance synergies between these policy areas.

The Commission has also published a Communication on public procurement<sup>9</sup> that contains a chapter on the environment (and on social issues as well). This chapter recalls certain principles and announces an interpretative document for publication in 1999 to further clarify the issue on how environmental considerations can be integrated into public procurement procedures within the current legal framework.

## 2.8. Employment

On 21 April 1999 the Commission adopted a Communication on Community Policies in Support of Employment<sup>10</sup> which stated that improvements on the levels of environmental protection, economic efficiency and competitiveness should be mutually reinforcing and supportive of economic and social progress. It further considers that investments in clean and energy-saving technologies will contribute to higher employment rates either through increased competitiveness of companies or through an increasing demand for environmentally sound products and services. It announced the completion by mid-2000 of an analysis of the possible employment effects of a switch towards clean technology and production processes, which could lead to a handbook of innovative practices.

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<sup>8</sup> CSE(97)1 final of 4 June 1997

<sup>9</sup> Commission Communication "Public Procurement in the European Union"; COM(98)143 final of 11 March 1998

<sup>10</sup> COM(99)167