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COMMISSION STAFF WORKING PAPER

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

COUNCIL DECISION

**on relations between the European Union on the one hand, and Greenland
and the Kingdom of Denmark on the other**

**and covering the subsequent implementing regulation of the
Decision on relations between the European Union on the one hand, and Greenland
and the Kingdom of Denmark on the other**

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1. PROBLEM DEFINITION

The **Council Decision 2006/526/EC** defines the framework for cooperation between the parties in sectors other than fisheries, for the period 2007-2013. This stipulates that assistance towards Greenland should focus on areas such as (a) education and training; (b) mineral resources; (c) energy; (d) tourism and culture; (e) research; (f) food safety. The focal sector for cooperation defined under the current financial framework is **education and vocational training**. The **policy dialogue** between the parties is not limited to education and vocational training but also covers the overall socio economic situation.

Greenland is a country bigger in size than Europe with 56,000 inhabitants spread over 18 towns none of which exceeds 16.000 inhabitants. Due to the **geostrategic importance** of Greenland both as a partner of the EU and as a member of the Arctic Council it remains important to extend the **long lasting commitment** to the partnership.

Greenland is confronted with specific economic and social **structural problems**: (a) high level of imports; (b) exports are highly reliant on the fisheries sector; (c) the fiscal deficit of the Government of Greenland that, without the grants from Denmark and the EU, would exceed 30% of GDP annually. Besides the fact that the EU-Greenland **partnership expires** at the end of 2013, the reason for reform of the current partnership stems from the challenges that both Greenland and the EU face. These include among others the emergence of **global issues** (e.g. increasing impact of climate change on human activity and the environment, maritime transport, research and innovation).

The need to address the multifaceted new challenges and opportunities requires that the Greenlandic administration enhances **skills and capacities** in order for the country to be able to define and implement policies and strategies. Currently Greenland is highly dependent on Danish policy officers as well as on short term employees from other Nordic countries.

Finally the Greenlandic **ICT (Information and Communication Technology), including information systems**, need further improvement in order to provide timely and accurate data in relation with the sector policies as well as with the macro economic developments.

2. ANALYSIS OF SUBSIDIARITY

In a globalised environment, different internal EU policies (climate change, environment, Arctic policy, energy, migration, raw materials, innovation etc.) are increasingly becoming part of the EU's external action, and in line with the EU 2020 agenda and the Treaty for the Functioning of the European Union, a mutual reinforcement of internal and external actions is needed.

As an Arctic country Greenland is furthermore among countries most exposed to climate change. The capacity to deal with this challenge will have profound implications on its

economic well being. The EU should actively share its domestic experience in development of measures and policies to assist Greenland with both adaptation and mitigation aspects of climate change.

3. OBJECTIVES OF EU INITIATIVE

In the context of the new partnership, dialogue between Greenland and the EU should be extended to other areas. **Global issues** such as climate change and environment, maritime transport, research and innovation, require **global responses**, where the geostrategic position of Greenland should be noted and where cooperation between the parties should be considered in the interest of the EU.

The structural weaknesses, with which Greenland is confronted, require an increased commitment from the national authorities to formulate and implement the needed policies. Those policies should lead to structural changes and measurable impacts, permitting **diversification of the economy** and a transition to a long term sustainable society. The EU should **assist** Greenland in the **formulation of the relevant policies** with the provision of expertise along with a more targeted dialogue covering the areas of cooperation agreed upon by the parties (e.g. education, natural resources, including raw materials, Arctic issues, etc.).

4. POLICY OPTIONS

Option 0: 'Zero option' – no financial instrument for and EU/Greenland partnership.

Option 1: Maintaining the status quo in the EU/Greenland partnership

The 2007-2013 EU/Greenland partnership aims to be a comprehensive partnership, answering the need agreed between the parties to broaden and strengthen future relations between the EU and Greenland taking into account the importance of fisheries and the structural development problems in Greenland.

Option 2: Maintain the current structure of the EU/Greenland partnership but amending it to better respond to an enhanced partnership

The scope of the partnership is **extended** to cover inter alia the following topics: Arctic issues, climate change, environment and biodiversity. The dialogue should also be extended to integrate food security issues, energy storage and the needs of research and innovation capacity. The **broadening** of cooperation **to new areas** such as climate change, safe and sustainable energy (including energy, research and innovation), as well as a strengthened cooperation on natural resources, including raw materials, are of immense importance for the EU industries and for the sustainable development of the Greenlandic economy. These areas are of growing importance to the EU and should deserve full attention from both parties. As to the scope of financing, consideration should be given to the possibility of providing technical expertise, which would facilitate capacity building and allow for the Greenlandic administration to acquire skills where needed the most.

Option 3: New instrument

This option and its impacts were not analysed in detail.

5. ASSESSMENT OF IMPACTS

(a) Option 0 – 'Zero option'

Economic, social and environmental impact

Within the current partnership the cancellation of support for the Greenland Education Programme will have a negative impact on the progress made. Without the assistance to the Greenland Education Programme the impact of better education will be insufficient in the sustainable development of Greenland, with negative influence on other issues such as environmental awareness.

(b) Option 1: 'Status quo' or 'no change'

Economic, social and environmental impact

The likely continuation of the support to education and vocational training during the period 2014-2020, is expected to produce continued results and contribute to the development of the overall economy of Greenland.

Taking into account the diversification needs of the Greenlandic economy, education will have a positive impact on the economy through the provision of a labour force that will have the adequate skills for confronting the challenges inherent to the transition from a primarily fisheries driven, to a more diversified economy. More and better education is expected to have a medium- to long-term positive impact on the Greenlandic society. Improved knowledge and awareness of issues such as health issues and environment is likely to increase following improved competencies development and better education.

(c) Option 2 – Enhanced EU/Greenland Partnership

Economic, social and environmental impact:

The extension of the partnership between the EU and Greenland to cover other areas of interest, such as 'climate change research', 'environment', biodiversity', 'Arctic issues', 'natural resources, including raw materials', will facilitate the preparedness of the Greenland to formulate and implement the required in these areas and will lead to a positive economic impact with better skilled labour force and a more diversified economy.

6. COMPARISON OF OPTIONS

The table below summarizes the pros and cons of different options.

		Economic Impact	Social Impact	Environmental Impact	Greater Coherence	Efficiency gains
Impacts						
Options	0. - No Instrument	–	–	–	–	–
	1. - No change from today's situation	0	0	0	0	0
	2. - A revised Instrument	+	+	+	+	+
	3. - A new Instrument or Instruments	N/A	N/A	N/A	N/A	N/A

On the basis of the above analysis, option 2 is the preferred option. An enhanced partnership would recognise the geostrategic importance of Greenland in the Arctic, the changes in its economy and the environment resulting from climate change, and will honour the commitment of maintaining a long lasting relationship between the EU and this country.

7. MONITORING AND EVALUATION

In the context of the existing partnership, a set of indicators have been agreed between the parties that will permit the follow up of the overall developments in the Greenlandic economy and society. In regards to the new and enhanced EU/Greenland partnership an indicative list of indicators is foreseen in chapter 7.1 of the Impact Assessment report. Additional indicators might prove necessary to better account for the new areas of cooperation. This matter will be further discussed with the Greenlandic authorities.