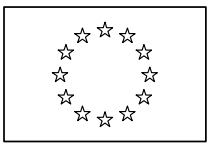

COMMISSION OF THE EUROPEAN COMMUNITIES

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COM(2007) 195 final

# COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

## 2006 Environment Policy Review

{SEC(2007) 487}

## INTRODUCTION

In 2006, the EU's long term environment policy framework was consolidated with adoption of its revised Sustainable Development Strategy and the REACH regulation. It has solid popular support with 72%[1] of citizens in favour of more decision-making at EU level on environmental protection. Four main sets of issues broadly defined the year.

- The volatile oil and gas prices, fear of supply disruption, and the climate change impact of energy use, led to calls for an integrated EU energy policy and increased interest in energy efficiency and renewables. The Stern review on climate change confirmed that the costs of inaction far outweigh the costs of taking timely action.

- The Biodiversity Communication and the EU Action Plan to 2010 and beyond were designed to speed up implementation of biodiversity measures.

- Adoption of the last three of the seven Thematic Strategies - on Urban Environment, on Soil Protection and on Pesticides - will streamline and simplify the framework for future action.

- The new reporting cycle for the Lisbon Strategy showed that the Member States increasingly accept that resource efficiency, climate change, and biodiversity loss are closely linked to growth and jobs.

This Review describes EU environment policy during 2006. First, it summarises the main policy developments for the four priorities of the 6th Environment Action Programme. It then examines Better Regulation initiatives, which make it simpler for business to comply, and easier for Member States to implement, while enhancing environmental standards.

The policies described were accompanied by active international outreach, including important progress on preparing Bulgaria and Romania for EU membership and integrating environment into the EC's external policies. The Commission proposed a long-term Environment Strategy[2] to address the continuing degradation of the Mediterranean environment through more effective cooperation. It also presented a proposal for a Thematic Programme for Environment and the Sustainable Management of Natural Resources, including Energy[3].

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1 2006 Eurobarometer
2 COM(2006)475
3 COM (2006) 20

## ACHIEVEMENTS, TRENDS AND OUTLOOK IN THE 6TH EAP PRIORITY AREAS

### Climate change

*Highlights*

2006 was a year of heated debate on the EU's increasing dependency on imported oil and gas, on rising energy prices, and on instruments to tackle climate change. The link between climate and energy policies was strengthened and promising agreements were made with the main emerging economies.

Under the second phase of the **EU Climate Change Programme**, the Commission adopted several proposals, e.g. on including air transport in the EU Emissions Trading Scheme; and work progressed on reviewing the approach towards reducing $CO_2$ emissions from cars; a communication with a possible legislative proposal on Carbon Capture and Storage; and policy options for adaptation to the impacts of climate change.

The **mid-term review of the Transport White Paper**[4] confirmed that protection of the environment is one of the main objectives of transport policy.

Early in 2006, the first compliance cycle of the **EU Emissions Trading Scheme** ended. Over 10 000 energy-intensive installations – representing almost half of Europe's $CO_2$ emissions - had to report their emissions for 2005. In April the allowance price dropped because data showed lower emissions than expected resulting in a surplus of allowances. In June Member States had to notify their National Allocation Plan (NAP) for 2008-2012, the second trading period, explaining how they will allocate emission allowances to industry. In November the Commission adopted Decisions on 10 NAPs, reducing the average amount of emissions proposed by the Member States by almost 7%.

Internationally the EU played a leading role, at meetings related to the UNFCCC and the **Kyoto Protocol** progress was made on: a 5 years work programme for climate adaptation, promotion of the global energy efficiency and renewable energy fund (GEEREF), and governance principles for the adaptation fund. The EU set up **bilateral agreements** on climate change with key third countries like **China** and engaged in a bilateral dialogue with other key partners. Member States are investing heavily in emission reduction projects in developing countries.

Energy efficiency and renewable energy can do much to achieve the aims of the **European Energy Strategy**[5] i.e. sustainable development, security of supply, and competitiveness. In October the Commission proposed an **Action Plan**[6] to reduce energy use by 20% by 2020 compared to business as usual. In early 2007, the Commission proposed an **integrated energy and climate change package**[7] for a new **Energy Policy for Europe**. The Member States are asked to agree to a 30% reduction target in greenhouse gas emissions by 2020 (compared to 1990), if other industrialised countries commit to similarly ambitious targets. All developed countries need to make this kind of effort in order to limit global warming to an increase of 2° Celsius. Until an agreement is reached the Commission has proposed a unilateral EU 20%

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4 COM(2006)314
5 COM(2006)105
6 COM(2006)545
7 COM(2007)1, COM(2007)2

reduction. The package also includes ideas for enhancing cooperation between the EU and developing countries, particularly on adaptation through a "Global Climate Policy Alliance"[8].

*New Findings*

- The most recent data for EU-15 emissions show a decrease of only 0.9% since 1990, while EU-10 emissions remain 31.9% below base year levels. EU-10 emissions are projected to increase but will still be 12% below 1990 by 2010.[9] Although, with the measures in the pipeline, the use of Kyoto mechanisms and carbon sinks, the EU-15 should achieve its Kyoto target by 2010, additional efforts will be needed for the post-Kyoto period. We must agree on new ambitious long-term targets.[10]

- Increasingly frequent forest fires in North Eastern Europe might be the primary cause of carbon particle pollution in the Arctic, speeding up the melting of glaciers and sea ice.[11]

- The negative impacts of droughts at EU level have increased a lot in the last 30 years. Annual average costs doubled between 1976-1990 and 1991-2006 to reach 5.3 billion €/year in 2001-2006.[12]

- The physical impacts and costs of sea-level rise in the EU are projected to cause significant damage. Adaptation to sea level rise could reduce total costs in the medium term by 7 to 50% and in the long term by more than 70%.[13]

*Outlook for 2007*

The Commission will:

- present a proposal to improve the functioning of the **Emissions Trading Scheme Directive** for the third commitment period starting in 2013.

- propose a regulatory framework to promote **Carbon Capture and Geological Storage** technologies.

- launch a broad consultation with a Green Paper on **Adaptation to Climate Change**.

- present a decision on a **Global Energy Efficiency and Renewable Energy Fund** aimed at transition and developing countries and territories.

- issue a Communication on **water scarcity and droughts** to examine the need for action at EU level.

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8 Council document 15164/04 based on COM(2003)85
9 EEA Tech report No 6/2006.
10 COM(2006)658
11 Journal of Geophysical Research, vol.111, 2006
12 DG Environment (2006), Water scarcity and droughts, 1st Interim report
13 http://peseta.jrc.es

**Nature and biodiversity**

*Highlights*

The overall EU biodiversity policy framework is largely in place. However, biodiversity loss continues at an unprecedented rate. Consequently, some two thirds of the world's ecosystem services are in decline - services which are vital for prosperity and wellbeing. Significant efforts are required to meet the targets of halting biodiversity loss in the EU by 2010, and significantly reducing the rate of biodiversity loss worldwide by 2010.

The **Communication on Biodiversity**[14] shows how to meet these targets and foster longer-term recovery. It sets priority objectives, targets and key supporting measures in an EU Action Plan and calls for better integration of biodiversity and ecosystem services into sectoral and horizontal policies. Biodiversity was the theme of **Green Week** in 2006.

**Natura 2000** now covers almost 17% of EU-25 land area and 140 000 $km^2$ of marine area. Significant progress has been made in implementing EU nature protection legislation in the new Member States but large gaps remain. The Commission adopted an **EU Forest Action Plan**[15] to support and enhance sustainable forest management and the multifunctional role of forests, including through biodiversity measures and a European Forest Monitoring system.

Political agreement was reached in the Council on the future **Marine Strategy Directive,** which will allow the EU to restore the ecological health of its oceans and seas.

The Commission adopted a **Thematic Strategy on Soil Protection**, including a proposal for a Framework Directive[16] setting a common EU framework for action to preserve, protect and restore rapidly deteriorating soils. It leaves Member States flexibility to implement it in a way which fits local situations best.

The 2nd Global Biodiversity Outlook is a first thorough assessment, and shows that biodiversity loss continues apace, according to trends in nearly all the **Convention on Biological Diversity** (CBD) indicators, putting achievement of the Millennium Development Goals at risk. It concludes that the global 2010 target to significantly reduce the rate of loss is a considerable challenge and greater efforts are needed, although the decisions taken at the 8th Conference of the Parties in March provide solid guidance.

The Paris Conference on "Integrating biodiversity into European development cooperation" underlined the essential contribution of ecosystem services to human wellbeing, particularly for the poor, and established that conservation, sustainable use of and equitable sharing of benefits from biodiversity are core development issues.

The 3rd meeting under the **Cartagena Protocol on Biosafety** agreed on documentation to identify GMOs in international shipments of agricultural commodities. This decision makes the Protocol fully operational.

To combat illegal logging and related trade, the EU launched negotiations with Malaysia, Indonesia and Ghana for the first series of bilateral Voluntary Partnership Agreements on **Forest Law Enforcement, Governance and Trade (FLEGT)**.

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14 COM(2006)216
15 COM(2006)302
16 COM(2006)231

*New Findings*

- Ecosystem damage in the EU causes severe losses, e.g. forest fires in Portugal cause annual primary production losses of some €300 million. [17]

- A number of papers highlighted the growing threat to biodiversity posed by climate change, e.g. in the form of mass extinctions of European plant species,[18] and warned that evolution will not be able to prevent it.[19]

- Many European ecosystems and species continue to decline, but some species targeted by conservation action are recovering.[20] The growth of artificial surfaces along Europe's coasts is damaging coastal ecosystems.[21]

- Human-dominated marine ecosystems are losing populations and species faster, with largely unknown consequences.[22] Several species of deep-sea fish have seriously declined over the past few decades due to fishing practices.[23]

*Outlook for 2007:*

- The Commission will finalise the **Marine Guidelines** for the implementation of Natura 2000 in the marine environment.

- Under the **CBD**, negotiations will continue on international rules on access to genetic resources and benefit-sharing.

- The 14th Conference of the Parties to **the Convention on International Trade in Endangered Species** will be used to consider the listing of new species for trade controls.

- The Commission will present additional **FLEGT** options to combat illegal logging and keep illegally harvested timber off the EU market and will start negotiating bilateral **Voluntary Partnership Agreements** with more countries.

- The Commission will present a proposal for **a common position on commercial whaling** and will do more work on the feasibility of further legislation on trade in seal products.

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17 IEEP (2006) Value of biodiversity
18 Thuiller, W. et al. (2005) Climate change threats to plant diversity in Europe
19 Parmesan, C. (2006) Ecological and evolutionary responses to recent climate change
20 EEA report 5/2006
21 EEA report 6/2006
22 Science (2006) 314, 787-790
23 UN (2006) The Impacts of Fishing on Vulnerable Marine Ecosystems

**Environment and health**

*Highlights*

Good data is essential for good health protection policies. Under the **2004-2010 Environment and Health Action Plan**, the Commission prepared launch of an EU pilot project on Human Biomonitoring in close cooperation with Member States. The Commission reviewed the information and monitoring systems in place and presented the **Environment and Health Information Review and Implementation Plan**.[24] Although methods for estimating impacts of the environment on human health require further development, the indications are that the *known* impact of the environment on health is limited in the context of European public health as a whole.

Every year 370 000 people in Europe die prematurely from diseases linked to air pollution. The Commission is therefore preparing to revise the **National Emission Ceilings Directive,** setting ceilings to apply from 2020 for the four substances already regulated, and possibly for primary emissions of $PM_{2.5}$ too. In 2006 negotiations continued with Council and Parliament on the proposed **Air Quality Framework Directive**.

The regulatory restructuring of water legislation was further completed by adoption of **the new Bathing Water and Groundwater Directives**.

The Commission adopted a **Thematic Strategy on the Sustainable Use of Pesticides,**[25] focusing on plant protection products, which may be extended to biocides. Measures include national action plans, training, and bans or limits on the use of pesticides in specific areas.

Under the **Mercury Strategy,** the Commission adopted proposals for a Directive[26] restricting the use of mercury in certain devices and for a Regulation[27] on the banning of exports from the EU and safe storage of mercury.

*New Findings*

- In the Netherlands, rough estimates indicate that 2-5% of all diseases may be due to air pollution, noise, radon, total natural UV, and dampness in houses. This percentage would increase if the more uncertain effects of PM exposure were included.[28]

- Nanotechnologies are expected to boost innovation and competitiveness and may offer novel solutions to environmental problems, nevertheless it is important that any potential environmental and health impacts arising from the use of nanomaterials are understood, assessed and managed.

*Outlook for 2007:*

- **REACH** enters into force, and the Commission will be helping with implementation and preparing the start of the EU Chemicals Agency.

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24 SEC(2006)1461
25 COM(2006)327
26 COM(2006)69
27 COM(2006)636
28 RIVM (2005)

- The Commission will present **a mid-term review of the Environment and Health Action Plan**.

- The Commission will present a new proposal to revise the **National Emission Ceilings Directive** and review existing legislation on industrial emissions. **A Community Implementation Plan on Persistent Organic Pollutants** will also be presented.

- The Commission will present a proposal to revise the **Directive on the protection of laboratory animals** to update animal protection and establish a level playing-field for industry and researchers.

- The EU will pursue an international binding agreement on further international action on **mercury** within the UNEP framework.

**Resource use**

*Highlights*

Resources are the backbone of the economy, but increasing global demand puts ever greater pressure on the environment. Improving resource efficiency and making our production and consumption patterns more sustainable will deliver environmental benefits while improving our economic performance and competitiveness.

The Commission made progress implementing the **Thematic Strategy for Sustainable Use of Natural Resources** by initiating the European Environmental Data Centre on natural resources, an International Panel to provide scientific advice and a High Level Forum to guide the development of national measures.

In June the Environment Council supported the long-term vision of the **Thematic Strategy on Waste Prevention and Recycling** to become a "European recycling society". Key elements of the Strategy are embodied in the Commission proposal for a Directive on waste, notably the life-cycle approach and proposals to put waste prevention policies into effect and work towards common recycling standards. The proposal is currently being discussed in Council and Parliament. Further measures to implement the Strategy are a Communication on industrial by-products and waste, the preparation of criteria for when specific waste flows are recycled and stop being waste, and improvement of the knowledge base.

The **RoHS** (Restriction of the use of certain Hazardous Substances) and **WEEE** (Waste Electrical and Electronic Equipment) **Directives** are designed to tackle the fast-growing stream of waste electrical an electronic equipment. WEEE tackles the management of waste by setting targets for separate collection, recovery and recycling. RoHS requires the substitution of some hazardous substances in new equipment put on the market after 1 July 2006. The **Directive on End-of-Life Vehicles** and the **Packaging Directive** contain a similar heavy metal ban. A new **Battery Directive** has been adopted that bans mercury in all batteries, and cadmium in most portable ones.

The unsafe dismantling of ships is globally a pressing environmental, economic and social issue. Often ships are dismantled on beaches in Asia under poor conditions where workers are killed or injured by accidents or are exposed to toxic substances. Water and soil pollution in these coastal areas affects natural habitats and fishing grounds. The Commission has started to develop an **EU Strategy for Ship Dismantling** that focuses on safety and care for the environment.

*New Findings*

- The criminal dumping of hazardous waste in the Ivory Coast in 2006 showed that several Member States are not properly enforcing EU waste shipment rules, especially in seaports. During 2005, inspections showed high rates of illegal waste shipments, sometimes as high as 48%.

- The food and drink, private transport, and housing sectors together account for 70–80% of the environmental impact of consumption from cradle to grave.[29]

[29] IPTS (2006) Environmental Impact of Products

*Outlook for 2007*

The Commission will:

- draw up a **Green Paper towards an Action Plan on Sustainable Consumption and Production**, building on instruments such as integrated product policy and including eco-label, environmental management schemes, resource and waste policies, and innovation.

- develop measures **on greening of industrial policy** drawing on elements such as the internal market, EuP-Directive, lead markets and other support for eco-innovation and international cooperation.

- propose voluntary EU-wide targets for **Green Public Procurement** and give further guidance to the Member States on their national action plans.

- report on implementation of the **Environmental Technologies Action Plan** (ETAP), covering first results of cooperation with Member States.

- support the take-up of environmental technologies and eco-innovation through the **EU Competitiveness and Innovation Framework Programme** and the **7th Framework Programme for Research, Technological development and Demonstration activities**.

- launch initiatives to reinforce implementation of the **waste shipment** regulation and the **Directive on port reception facilities**, including legislative proposals where needed.

- present a Green Paper on **Ship Dismantling.**

## ENVIRONMENT POLICY AND BETTER REGULATION

*Highlights*

### Using better regulation for better implementation and environmental results

Environment policy has already delivered good environmental results, but more effective and easier implementation will make them even better. An important aspect of better regulation is to ensure that the administrative requirements to provide information imposed in legislation are proportionate to what is necessary for proper enforcement.

While the administrative costs of environment legislation represent only a small fraction of all the benefits that arise from it, unnecessary costs hinder good implementation and need to be tackled.

Therefore, the Commission continues to apply better regulation principles in EU environmental policy-making, aiming to improve the design of existing and future legislation.

### Simplification

In 2006 the Commission continued reviewing legislation such as the **RoHS, WEEE and IPPC** (Integrated Pollution and Prevention Control) **Directives** as part of the **Simplification Rolling Programme**.[30] Part of the new programme[31] is the proposal for revision of the **Waste Framework Directive**[32]. Its adoption would merge three existing Directives and clarify some key, but poorly implemented, legislation.

The Commission proposed a **Directive to protect surface water**[33] from pollution - setting limits for 41 dangerous substances – which repeals five Directives and removes reporting requirements. It also started detailed reviews to simplify and improve the **EMAS** (EU Eco-Management and Auditing System) and **Ecolabel** (product) schemes by exploring links with other legislation and making them more attractive to smaller firms.

The **REACH legislation** (Registration, Evaluation and Authorisation of Chemicals) was adopted in December 2006. It will replace 40 existing legal acts, create a single system for all chemical substances, and introduce a new Chemicals Agency.

### Designing new policies

Environment policy has pioneered many ways of designing effective and cost-efficient new policies that have now become standard practice. One example is impact assessment; the Commission is required to assess the economic, social and environmental impacts of all its major policy proposals. Environment policy produced more than 20 Impact Assessments – around an eighth of the Commission's total.

The impact assessment process improves the selection of policy instruments. For instance, the **Directive** establishing an EU INfrastructure for Spatial InfoRmation **(INSPIRE)**, on which

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30 COM(2005)535
31 COM(2006)690
32 COM(2005)667
33 COM(2006)397

political agreement was reached in 2006, was based on an option that delivered broadly the same benefits but was 25% cheaper than the initial option considered. The new **Impact Assessment Board** set up by the Commission controls the quality of its draft impact assessments.

**Application of legislation**

The environment can only be well protected if Member States implement the legislation properly. At the end of 2006, there were 420 **infringement cases** on environment legislation. The Commission continues to improve the handling of these cases. The Commission also works closely with stakeholders to identify possible difficulties, e.g. in 2006 with the **REACH regulation**. Similar efforts were made with the **Environmental Liability Directive** and the **Water Framework Directive**, where cross-border issues make a common approach essential. Also the **GreenEnforce informal network** of nature and forestry practitioners was set up to strengthen dialogue on implementation.

*New Findings*

- Some studies show that, for cases analysed, the costs of EU environment legislation are often overestimated compared to the costs actually incurred, most likely because of underestimation of the innovation induced by the policy and other factors.[34]

- Environment legislation imposes around 4% of the administrative costs to business of all legislation originating at local, national and international level.[35]

- EU emission standards are becoming world standards, e.g. more than 3 billion people in Asia benefit from vehicles meeting EU vehicle emission standards.[36]

- The European car fleet is 2-3 times more fuel efficient than the US car fleet, in part because of higher fuel taxes which have supported important technological improvements.[37]

*Outlook for 2007*

The Commission will:

- table a Communication on a **Shared Environmental Information System**, linked with INSPIRE**.** The system will ensure availability of information while cutting unnecessary reporting and monitoring.

- issue a **Green Paper on market-based instruments** for environment and energy related policy purposes. It will look at possible elements for the planned review of the Energy Taxation Directive and at options for further use of economic instruments in different areas of environmental policy[38].

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34 IVM (2006), DEFRA (2006)
35 Estimate based on findings from DK, NL and UK, see also COM(2006)691
36 International Council on Clean Transportation
37 EEA report 1/2006
38 COM(2007) 140 final

- revise **Community guidelines on State aid for environmental protection** to adapt the rules to challenges in environment policy. To simplify the assessment certain less distortional environmental State aid could be included in the revised Block Exemption Regulation.

- table a **Compliance Assistance Programme** to help small and medium enterprises to comply with environmental requirements.

- present a Communication on the **Implementation of the Water Framework Directiv**e.

- together with the European Environment Agency launch the **Water Information System for Europe** to improve the availability and quality of water data.

## CONCLUSIONS

The Commission strives continuously to improve the way environment policy is designed and implemented. The policies are now largely in place and suitable for a more streamlined regulatory approach, while maintaining a high level of protection.

Climate change is at the top of the political agenda. The Commission will further develop its proposals to transform the EU into a low-carbon economy and achieve longer-term $CO_2$ reduction targets within the EU and globally. But even if emissions are reduced, the likely effects of climate change must be anticipated and actions taken to minimise damage. The Commission will therefore launch a debate on an EU adaptation policy.

Curtailing the loss of biodiversity is also a top priority. Important measures have been proposed, and now need to be implemented. Internationally, particular emphasis will be put on sustainable forest management and fighting illegal logging and associated trade.

Consumption and production patterns need to be more sustainable. The Commission will propose ways of promoting energy efficiency, eco-design, eco-innovation and clean technologies. There will be more effort to improve implementation of environmental legislation.

Environment challenges now permeate all policy areas. Continuing attention should be paid to how sectoral policies interact with and impact on the environment. Ensuring an open global market for environmental technologies, investment and expertise is an example of how other policy areas can contribute. Working with our international partners bilaterally and through multilateral action is essential to preserve our common resources and life support systems. Environment needs the commitment of us all.