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**2007 Environment Policy Review**

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## ***Introduction***

The year 2007 marked a turning point in EU environment policy. The main commitments under the 6<sup>th</sup> Environment Action Programme 2002-2012 (6<sup>th</sup> EAP) have been delivered as demonstrated by its mid-term review and we must now further strengthen our efforts on implementation.

Environment issues are now firmly at the top of the political agenda, and command the attention of decision-makers, the media and the public. 80 % of EU citizens find the environment important for the quality of their life. A good example is climate change, particularly since the endorsement of the energy and climate change package in March 2007 by European Heads of State and Government. Instruments have been fine-tuned where possible under the Better Regulation exercise. Externally, the EU has kept the lead on environmental issues, backed up by solid achievements at home and by good bilateral and multilateral relations with key partners. In global negotiations it has secured significant advances in several areas, notably on climate in the Bali conference.

We need, however, to prepare for the major challenges ahead: defining a long-term strategic vision for sustainable consumption and production, adaptation to the inevitable climatic changes, and the protection of biodiversity. We should take advantage of the relatively light legislative calendar in 2008 and 2009 to advance now on these issues. At the international level, we face demanding negotiations to secure future international agreements on climate, and to preserve and manage biodiversity.

## ***A number of decisive steps were taken in 2007***

### ***The policy framework is now in place***

First and foremost, the energy and climate change package endorsed by the European Council in 2007 firmly set Europe on the path to a low-carbon economy.

The EU committed to a 30% reduction in greenhouse gas emissions provided there is an international agreement. But even if there is no agreement it promises a unilateral reduction of at least 20% by 2020. It set targets of 20% for energy from renewable sources and 10% for biofuels in transport. In January 2008, the Commission translated the commitments into concrete action by adopting a Climate Action and Renewable Energy implementation package. This included proposals for (a) an improved Emissions Trading Scheme (ETS), (b) sharing the effort in non ETS-sectors like road transport, buildings, services and agriculture, (c) a Directive with legally enforceable targets for renewable energy including a set of sustainability criteria for biofuels, (d) new Community guidelines on state aid for environmental protection and (e) a regulatory framework to ensure that Carbon Capture and Geological Storage technologies are used safely. As the increased production of biofuels is one of the causes of recent food price rises around the world, the Commission will monitor the environmental and social impacts of the policy and, if appropriate, propose corrective action.

In other policy areas too, the Commission has delivered almost all its main commitments under the 6<sup>th</sup> EAP. All seven of the thematic strategies (air, waste prevention and recycling, marine environment, soil, pesticides, natural resources and urban environment) have been

presented to the co-legislator. Accompanying legislative proposals have been adopted or are being examined by Council and Parliament.

Other major initiatives were also launched. The Commission presented a proposal for a new Industrial Emissions Directive, which merges and revises the Integrated Pollution Prevention and Control Directive and six other sectoral directives. This tightens emission limits in certain sectors, sets standards for environmental inspections and extends the scope to medium-sized combustion plants. The long awaited REACH - Registration, Evaluation, Authorisation and restriction of Chemicals – regulation, reforming the way we deal with chemicals, was adopted and the European Chemicals Agency started operating. Also the Environmental Liability Directive came into force. These key pieces of legislation form the basis for sustainable industry in Europe.

On resource management, agreement was reached on a Marine Strategy Framework Directive, whereby Member States have to do what is necessary to achieve good environmental status in the marine environment by 2020. A new waste shipment law applies since July, including a ban on exports of hazardous waste to developing countries.

However, progress was not uniform in all sectors. For instance, the Commission regrets that the Council did not reach a political agreement on the proposal for a Soil Framework Directive.

The mid-term review of the 6<sup>th</sup> EAP confirmed the main priorities of the Programme - climate change, nature and biodiversity, environment and health, and natural resources and waste - and took stock of progress. It noted that the EU is not yet on the path towards sustainable development; its policies - if fully implemented - will only yield results over time as pressures on the environment continue to grow; further efforts are needed. This assessment, as far as climate and energy are concerned, was also confirmed in the progress report on the renewed Lisbon Strategy for Growth and Jobs.

### ***New financial instruments set in motion***

The financial instruments for environment policy under the current multiannual financial framework became operational in 2007: LIFE+, agreed in March 2007 by the Council and Parliament with a budget of € 2 143 million for 2007-13, will provide funding for all four priority areas of the 6<sup>th</sup> EAP, 50% of the funds being earmarked for nature and biodiversity.

The first out of three instruments envisaged under the Competitiveness and Innovation Framework Programme for support to eco-innovative small and medium-sized enterprises (SMEs) was launched in 2007. € 228 million is earmarked for eco-innovation in 2007-13.

The Commission also launched the Thematic programme on environment and sustainable management of natural resources, including energy, with an initial € 889 million budget for 2007-13, to address the environmental dimension of development and other external policies and to promote the EU's environment and energy policies abroad. In 2007, € 74 million has been earmarked to environmental projects. Support for environmental policy is also provided through external financial instruments that became operational in 2007, i.e. the Development Cooperation Instrument, the European Neighbourhood and Partnership Instrument and the Instrument for Pre-Accession Assistance.

The Civil Protection Financial Instrument adopted by the Council in 2007 with a budget of €189.8 million for 2007-13, will provide funding for all EU activities in the field of civil protection.

### ***Better regulation now central to environmental policy-making***

Whenever possible and opportune, efforts to simplify legislation have continued. For instance, the Commission's proposal for a new Industrial Emissions Directive offers a clearer and coherent legal framework for industry and should cut administrative costs. Another Commission Decision adopted in 2007 will clarify ETS monitoring and reduce reporting requirements for low-emitting installations.

The Commission also presented a Green Paper on market-based instruments to stimulate a discussion on ways to further promote their use at Community and national level, as they often are the most cost-effective way of meeting environmental objectives.

Better regulation requires a sound knowledge base for assessing the driving forces, pressures, state and impacts on the environment. With the entry into force of the INSPIRE Directive the EU has taken a major step forward in assuring that relevant spatial data can be found, accessed and shared.

The Commission continues to conduct impact assessments of all its major policy proposals. 2007 was the first full year of operation of the Impact Assessment Board which scrutinises these assessments.

### ***More integration of environment into other policies***

Further integration reflects the growing consensus that the fight against climate change needs to be factored into most policy areas. Indeed, the 4<sup>th</sup> assessment report of the Intergovernmental Panel on Climate Change confirmed that the warming of the climate system is unequivocal and that impacts may be severe, requiring action in many policy areas. Partly to address this issue, there was progress on integrating environment into **transport**. This is one of the most difficult issues in the fight against climate change and other pollution. In 2007 the Commission proposed a legislative framework to achieve the 2012 target of 120 g/km CO<sub>2</sub> emissions for new cars while new standards (Euro 5 and 6) setting tighter limits on emissions of particles and nitrogen oxides were formally adopted by Council and Parliament. The Commission also proposed new emission norms for heavy duty vehicles (Euro VI) which - once adopted - will bring cleaner trucks and buses. The proposed revision of the Fuel Quality Directive will cut sulphur levels and reduce pollutant emissions as well as the greenhouse gas intensity of fuels on a lifecycle basis. The Directive on ambient air quality and cleaner air, adopted in April 2008, will reduce exposure to small particles (PM<sub>2.5</sub>) in urban areas. The Commission also adopted a Green Paper on urban mobility and launched a public consultation on follow-up actions, which will be presented in an Action Plan on urban mobility in autumn 2008. Further, it proposed a Directive to introduce environmental aspects into public procurement of vehicles.

Integration also progressed in other fields.

**Agriculture:** While the Common Agricultural Policy (CAP) includes a series of instruments contributing to the protection of the environment and nature conservation (e.g. decoupling, cross-compliance, agri-environment and Natura 2000 payments), in 2007 the Commission

approved 57 of the 94 rural development programmes for the period 2007-13, corresponding to a budget of €68 billion. Nearly half of this budget will go to measures for "Improving the environment and the countryside".

**Cohesion policy:** The Commission by end 2007 adopted almost all Operational Programmes of the Member States, earmarking € 347 billion for 2007-13. Around 28% of these funds are planned for investment in environmentally related projects and infrastructure, mainly for sustainable transport (around € 34 billion) and water (around €22 billion), besides that i.a. for renewable energies and energy efficiency, waste management, risk prevention, nature protection and clean technologies.

**Development:** The Commission continued to build progressively sustainability concerns into its development cooperation agreements both by focusing on specific environmental themes and by integrating environment across all development cooperation activities.

**Health:** The Mid-term review of the Action Plan on Environment & Health 2004-2010 demonstrated that cooperation between environment policy, health policy and the corresponding research fields has been strengthened.

**Industrial policy:** The Commission announced in the Mid-term Review of the Industrial Policy its intention to promote the opportunities that environmental challenges, if properly managed, represent for European firms. It will back this up by actions on sustainable industrial policy, consumption and production.

**Research:** The Commission continued to integrate environmental sustainability in its Research Programmes. In the 7<sup>th</sup> Framework Programme for 2007-13, the Environment and Energy themes (with budgets of €1 890 million and €2 350 million) support environment policy development and implementation, including research on energy and climate change issues.

**Trade:** The Commission actively pursued the inclusion of sustainable development chapters in the regional and bilateral free trade and association agreements it is negotiating in different parts of the world. Work on this is partly guided by the trade-related Sustainable Development Impact Assessments that the Commission does before concluding free trade agreements.

### ***EU international leadership on environment policies confirmed***

Domestic environment policy initiatives underpin the EU's efforts to promote high environmental standards worldwide. International negotiations on climate change in 2007 culminated in the decision in Bali to work intensively towards a comprehensive global agreement for effective action after 2012 and to conclude negotiations in 2009. The EU's aim is to reach an agreement on binding absolute emission reduction targets for developed countries and on enhanced contributions by developing countries, especially newly industrialising countries.

Progress was also made in other fields. The 14<sup>th</sup> Conference of the Parties to the Convention on International Trade in Endangered Species agreed on a nine-year moratorium on ivory sales after a one-off sale of government-owned stocks of raw ivory. To guarantee the legality of forest products imported into the EU from signatory countries, the Commission launched formal negotiations towards voluntary partnership agreements on Forest Law Enforcement Governance and Trade with Indonesia, Ghana and Cameroon, and continued negotiations with Malaysia. Together with UNEP, the Commission established the International Panel for Sustainable Resource Management to provide authoritative scientific advice on resource

management to policy-makers globally. The Commission also continued discussions with candidate countries and potential candidates to support their gradual alignment with EU standards and to prepare for future accession negotiations. Dialogue and cooperation on environmental issues were enhanced with partner countries within the European Neighbourhood Policy and the EU-Russia Strategic Partnership.

### ***EU environment policy has increased legitimacy***

The latest Eurobarometer survey on the attitudes of European citizens carried out at the end of 2007 confirms the popular support EU environment policy enjoys. In virtually every Member State, respondents prefer decisions about protecting the environment to be made jointly within the EU (67%) rather than at national level. They see harmonised European legislation as necessary (82%), believe that the EU should extend assistance to non-EU countries to help them improve their environmental standards (80%) and would accept that the EU allocates more money to environmental protection even at the expense of other areas (78%).

The new Treaty of Lisbon signed in December 2007 reinforces the EU's capacity for action. It explicitly introduces climate change into EU environment policy and recognizes that the EU has a leading role to play in fighting it on the international scene. It also provides a clearer legal basis for EU action on energy and civil protection, stressing solidarity between Member States.

### ***But to face global challenges in 2008 and after, new impetus is needed...***

Despite these advances we cannot relax our efforts; firstly because advances will materialise only if fully implemented, and secondly because the challenges ahead of us call for even stronger action. This was highlighted in the first progress report of the EU's Sustainable Development Strategy.

### ***Further strengthening implementation***

While the policy framework and most measures are in place, implementation of EU environment legislation by Member States is often slow or incomplete. At the end of 2007, there were 479 open infringement cases - 22% of the EU-total - concerning EU environment legislation. A majority of cases concern bad application of EU environment law, but there are also cases concerning lack of transposition or improper transposition of directives.

The Commission continued to take action to improve implementation, following a twin-track approach of both support measures and sanctions. It has put forward cross-cutting proposals including better information, help with problem-solving, increased transparency and more efficient management of infringements cases. Awareness raising events were organised on different issues across Member States, notably on the Waste Shipment Regulation and the Landfill Directive because of the large implementation gaps and the potentially severe environmental impacts. The Commission proposed an Environmental Compliance Assistance Programme in order to help small and medium-sized enterprises through training, technical advice and strengthening support networks.

The Commission also started legal action against several Member States for not properly implementing or transposing key environment legislation. In addition, a proposal for a directive was presented, which aims to ensure that serious environmental offences are subject to criminal sanctions across the Member States.

In 2008 the Commission will step up its efforts to support Member States and their authorities on implementation through better information exchange, guidance and training. EU external assistance programmes will continue to provide financial and technical support to partner countries to help them align their environment policy with the EU acquis, particularly the candidate countries and potential candidates. The Commission has also decided to present a Communication to outline the means that we can use to prevent breaches of environmental law and to set out criteria for identifying infringement cases which need most immediate and intensive Commission legal action. It will further review the 2001 Recommendation on minimum criteria for environmental inspections.

Finally, an integrated communication campaign will be launched mid-2008 to raise awareness among stakeholders and the general public and to ensure maximum support to all key policies and initiatives.

### ***Continued effort to simplify and improve policies and instruments***

As environment policy and its integration into other policy areas are becoming increasingly important we must work continuously to maximise its efficiency, cost-effectiveness and transparency. The Commission will thus continue to apply Better Regulation principles here.

To this end the Directive on Waste Electrical and Electronic Equipment and the Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment will be revised in 2008. The Regulation on substances that deplete the ozone layer will be updated and simplified. The Ecolabel and EMAS (Environmental Management and Auditing System) schemes will be revised to improve procedures and reduce administrative burdens for participating companies. The Commission and the European Environment Agency (EEA) have jointly developed the Water Information System for Europe (WISE) which should cover all reporting under water directives by 2010. The Commission will also further develop the Shared Environmental Information System (SEIS), and strengthen the GMES (Global Monitoring for Environment and Security) programme.

Reports on the Environmental Impact Assessment and Strategic Environmental Assessment Directives show that the greatest scope for improving efficiency lies with Member States. The Commission is preparing guidance to resolve outstanding interpretation issues and increase consistency of application.

### ***The key challenges ahead***

#### ***Sustainability***

The current world economy is not sustainable. We are already causing environmental damage and resource depletion. As we become materially richer, we tend to place greater demands on our own environment and that of our trading partners. Meanwhile, the growing populations of the newly industrialising countries will soon be reaching the same levels of resource consumption as we currently have in the EU.

The global economy of the future will have to be cleaner, leaner and smarter. The regions who meet this challenge first will be the economies which benefit, rather than suffer, from the change, gaining economic and political influence.

In 2008, the Commission will present an Action Plan on Sustainable Consumption and Production and Sustainable Industrial Policy. Its overall objective is to identify and overcome

barriers to sustainable production and consumption that have either not been addressed yet or can be overcome by strengthening and better co-ordinating existing policies. It will extend the scope of the Directive on the eco-design of energy using products, strengthen product labelling and harmonise incentives for better products and smarter consumption. It will revise the EMAS and Eco-label schemes, promote green public procurement, and include work with retailers to impact on the supply chain. Within the Lead Market Initiative, it will develop measures to create favourable framework conditions for specific environmental industries. The adoption of the Waste Framework Directive, expected in 2008, will help create a European recycling society.

To build successful policy, we need the right measurements, and here GDP has its weaknesses as an indicator of progress. The Beyond GDP conference in 2007 launched the process to complement GDP with more comprehensive measures of wealth and well-being that include a social and environmental dimension. The Commission will outline in a communication in 2008 how it intends to push these ideas forward.

### *Adaptation to climate change*

It is now clear that climate change will be one of the biggest challenges for humanity in the next 100 years. And to deal with it, policy-makers will have to address two distinct – but fundamentally linked – issues.

The first is to limit temperature increases so that catastrophic climate changes can be avoided. With the adoption of the climate change packages in 2007 and early 2008, and the launch of the post-Kyoto negotiations, we are addressing this. The EU is pressing hard for a new global climate change agreement that will deliver ambitious emissions cuts, including in aviation and maritime transport. In the run-up to the UN Climate conference in Poznan in December 2008, the Commission will continue to work on the main building blocks of a future agreement as identified in the Bali Action Plan. The conference is expected to provide additional political guidance to the post-2012 negotiations, taking into account the results of other high level climate change meetings.

But even if the world stopped emitting greenhouse gases tomorrow, the climate would still continue to change for many decades to come. So we need to adapt too in order to manage the unavoidable. Adaptation means finding ways to use water more efficiently, to develop crops that can tolerate drought, to ensure that the frail and elderly are properly looked after during heat waves, but also to set aside land corridors, to help plant and animal species migrating and to strengthen coastal flood defences.

Following on from the 2007 Green Paper on Adaptation and the Communication on Water Scarcity and Droughts – which made the right price on water and water efficiency central to policy options – the Commission will present a White Paper on Adaptation. This will examine ways to integrate adaptation principles into common policies, such as agriculture, fisheries, transport, energy, regional development, research and health, also taking into account the international dimension.

Given growing concerns about the impact of climate change on population movements, especially in the developing countries, the Commission will also build up the knowledge on this nexus. It will consider the need for concrete orientations in the context of the EU migration and development agenda.

## ***Protection of biodiversity***

The loss of biodiversity is a global threat that is just as serious as climate change and needs to be tackled with the same urgency. In one crucial way it is more worrying since there is no way to reverse extinction. Conservation of biodiversity is our life insurance for the future. The 9<sup>th</sup> Conference of the Parties to the Convention on Biological Diversity (CBD) in Bonn in May 2008, assessed progress made towards implementing the CBD decisions and achieving its target to significantly reduce the rate of biodiversity loss by 2010. With only two years left to 2010, it adopted decisions to boost global, regional and national implementation. To further underscore the importance of the issue, the Commission together with Germany presented the first results of the economic valuation of biodiversity and eco-system services as well as the costs of inaction.

At home, additional efforts will be needed to achieve the EU target of halting biodiversity loss by 2010. The EEA's fourth pan-European Assessment showed that more than 700 European species are currently under threat, while the number of invasive alien species in the pan-European region continues to increase. In 2008, the Commission will step up implementation efforts for the Biodiversity Action Plan, work further on the extension of the Natura 2000 conservation network including to marine areas and present a set of forest proposals to combat illegal logging and deforestation. Following the adoption of the Marine Strategy Directive, further work will be done on the establishment of European Marine Regions and the development of Marine Strategies with clear targets.

## ***Conclusion***

Environment policy increasingly cuts across all policy areas and contributes to shaping our future. It is a driver of structural change. This implies new responsibilities, risks and opportunities.

There are plentiful economic opportunities: the potential for eco-industries is huge and Europe should take advantage - and even drive the development - of booming global markets. Socially, there are close links between a sound environment and social equity and cohesion. On the other hand, some sectors and groups may temporarily be more affected than others. An increasing part of the overall policy package will be to take these potential impacts into account, and try to mitigate them.

Environment policy increasingly has to integrate economic and social dimensions and also has to be integrated into sectoral policies to reach its intended objectives. We must be aware of its possible consequences in other policy areas, become more cost-effective and promote synergies whenever possible. Integration is the key to a sustainable future.