



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 24.11.1999
SEC(1999) 1941 final

COMMISSION WORKING DOCUMENT

**From Cardiff to Helsinki and beyond
Report to the European Council on integrating environmental concerns and sustainable
development into Community policies**

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1. INTRODUCTION

This report is the Commission's contribution to the review by the Helsinki European Council of overall progress on the integration of environmental concerns and sustainable development into Community policies, and will suggest further action on the basis of the Council integration strategies, the Commission's Global Assessment of the 5th Environmental Action Programme and the Commission's coordinated report on indicators.

This report mainly focuses on progress in the Council formations which have been invited by the European Council to prepare strategies for environmental integration. Integration does however also concern a wider range of policy areas some of which are covered by Annex II.

Current perspectives for the Community's environment show that there is a need to improve environmental performance across all sectors of activity. While in some areas progress has been achieved, a number of worrying trends still exist. This situation is confirmed in the recent State of the Environment report by the European Environment Agency.¹ Future progress towards an improved environment and more generally sustainable development, including social and economic concerns, will require a more integrated approach to policy making. Climate change is a key area where integration of environmental aspects and sustainable development is essential to achieve progress. The predicted implications of climate change on agriculture, industry, land and property represent a severe threat to sustained economic growth. Over the last years we have seen some positive developments in greenhouse gas emissions. This positive trend is not likely to continue in all sectors. The only way to reverse the current growth trend particularly in CO₂ emissions is through integrating real changes into the economic policies, which determine our use of energy.

Beyond the EC Treaty and Kyoto Protocol commitments, by endorsing the Programme for the further implementation of Agenda 21 as agreed in the 19th Special Session of the United Nations General Assembly the Community committed itself to developing a strategy on sustainable development by 2002. Sustainable development cannot be achieved without environment measures but these measures on their own will not be enough. It is necessary to strengthen the integration of environmental requirements into sectoral policies, which can contribute to addressing them at their origins in the economic forces which shape our society.

¹ 'Environment in the European Union at the turn of the century', European Environment Agency, 1999.

2. THE CARDIFF PROCESS

In order to give substance to the Treaty commitments and to contribute to the solution of the climate change problem, the Cardiff European Council (June 1998) asked the Commission and the Council to focus more on integration and develop indicators to help monitor progress and make the issues more understandable for citizens. All relevant formations of the Council were invited to develop integration strategies with the Energy, Transport and Agriculture Councils starting the process. Building on this, the Vienna Summit (December 1998) invited these Councils to continue their work with a view to submitting comprehensive strategies, including timetables for further measures and a set of indicators, to the Helsinki Summit. It also invited other formations of the Council – Industry, Internal Market and Development – to further develop this work and drew attention to the environmental dimension of employment and enlargement.

Although the Vienna European Council did not expressly invite the Industry, Internal Market and Development Councils to report to the Helsinki European Council, these three formations of the Council have decided to join the other three in submitting such a report, including elements for further development of an integration strategy.

At the Cologne Summit (June 1999), the Councils, especially the Energy, Transport and ECOFIN Councils were requested to give particular attention to the *climate problem*. Moreover, the *General Affairs, Ecofin and Fisheries* Councils were requested to report back in 2000 on progress. In Cologne, the European Council also received a progress report on environmental integration and on mainstreaming of environmental policy from the Commission.²

3. COUNCIL REPORTS ON INTEGRATION

The integration reports and strategies prepared by the different Council formations for submission to the Helsinki European Council reflect the different starting points in terms of existing policies and orientations for future action. All recognise the need to further develop and implement environmental integration strategies. In the evaluation of the reports and strategies, the following criteria set by the European Council have been kept in mind:

- (1) The need for timetables for further measures and indicators to monitor progress in integration;
- (2) The emphasis on cross-sectoral issues such as climate change and the environmental dimension of employment and enlargement where they are relevant to individual policy sectors.

Transport: The transport strategy (adopted by the Council on 6 October) is a good basis for short-term action (1999-2001). Relevant ongoing activities have been included to a great extent. At the same time, some specific new important areas such as issues related to underlying causes of transport demand will receive more focus in the future. The strategy also recognises that the short-term objective is to flesh out the operational parts of the strategy for

² Commission Working Paper addressed to the European Council, "The Cologne Report on Environmental Integration – Mainstreaming of environmental policy; SEC(1999) 777 final of 26 May 1999.

the period of 2000-2004. A set of 27 indicators has been developed to help measure progress on an annual basis. In future, it will be necessary to define more clearly what sustainable transport actually means and to develop long-term environmental targets for the sector. The Commission recognises that this is a well-advanced strategy and looks forward to see its intentions being realised by Council decisions in the near future. That said, there are proposals on the Council table of particular relevance to climate change and sustainable transport which are not yet adopted.

Energy: The draft report (adoption 2 December 1999) in preparation for the Energy Council largely confirms the existing energy policy commitments for the period 1999 – 2002 and suggests further general policy orientations many of which however come under the responsibility of other Council formations or are requests to the Commission. As far as the time beyond 2002 is concerned, the Council requests the Commission to assess the situation with a view to preparing new initiatives. A preliminary set of indicators are included. The Energy Council conclusions thereby essentially reflect existing commitments.

Agriculture: The Agriculture Council Strategy adoption, 16th November 1999 responds to the request of the Vienna Council to address the integration of environmental requirements into the Common Agricultural Policy (CAP) through the reforms under Agenda 2000. The measures set out encompass environmental requirements and incentives integrated into the market policy as well as targeted environmental measures forming part of the Rural Development Programmes. As a general principle, farmers have to bear the compliance costs of observing “good agricultural practice” including the respect of mandatory environmental legislation. More ambitious environmental objectives above this reference level can be pursued through payments to farmers for environmental services. The Strategy sets objectives for water, agro-chemicals, land use and soil, climate change and air quality, as well as landscape and biodiversity. It is stressed that achieving sustainable agriculture will depend on the implementation of the available measures by Member States. The need for rigorous monitoring and evaluation of integration, based on meaningful environmental indicators is underlined.

Industry: (adoption 9 November 1999) The Industry Council has made the first steps towards preparing the strategy requested by the European Council. It has so far adopted conclusions on the integration of environmental concerns and sustainable development into the industrial policy of the EU and a report on integrating sustainable development and industrial policy. The report emphasises the three pillars of sustainable development and address issues such as climate change, employment, enlargement, changing production and consumption patterns, eco-efficiency and integrated product policy. It underlines the need for a broadening of the range of policy instruments, development of policy and performance indicators and improved co-operation and exchange of information between relevant formations of the Council as well as with all stakeholders. The Council commits to continue its work towards the development of the integration strategy. Further work is now needed to operationalise the strategy. This should involve appropriate new actions and measures within policy areas related to business and industry, including an action plan and a timetable. It will then be necessary to establish clear policy targets on the basis of the policy performance indicators against which progress can be monitored.

Internal Market: The Internal Market Council report (adoption 28 October 1999) on the Integration of Environmental Protection and sustainable development into Internal Market Policy to the Helsinki Summit is to large extent based on the Commission Communication on Environment and Single Market from June 1999 (COM (1999)263). Key elements of a

strategy are defined as a balanced approach between free movement and environmental protection. Moreover, the Council has invited the Commission to examine areas which can be monitored on the basis of already available statistical data and to report to the Council in the second half of 2000. The Commission notes that the report is only a first step, part of an ongoing process that needs to be developed in order to build a reinforced strategy that should deliver clear and sustainable results on how environmental protection will be integrated within the Single Market policies. The focus is at this stage on the free movement of goods, standardisation and public procurement, something that shall not prevent the consideration of new fields of action where integration of both policies can be achieved. The Commission would like to emphasise the importance and the consequences of integrating environmental requirements into Internal Market policies.

Economic and development co-operation: The Development Council's report (adopted by the Council on 11 November) stresses the importance of developing countries' national strategies for sustainable development, EC policy coherence, the efficient use of Commission environmental assessment procedures and adequate staffing and training. Indicators and regular evaluations will be used to monitor progress. The report calls on the Commission to prepare a specific strategy by the next Development Council meeting. The recent Commission Communication (COM (1999)499 final) notes that opportunities to better coordinate the EU objectives in relation to the funds designed to implement Multilateral Environmental Agreements (MEAs) should be fully explored. Thus the Environment and Development Councils and the European Council should consider the case for a more coordinated approach in such international financial discussions.

More detailed comments on these strategies and reports are set out in Annex I to this report.

The Fisheries, General Affairs and Ecofin Councils have yet to produce their integration strategies. As requested by the Cologne European Council, they are to report back to the European Council in 2000 on the integration of environmental issues and sustainable development into each of the policy areas. An agreement on the timetable for developing integration strategies for these sectors is needed.

4. INTEGRATION IN COMMISSION POLICY PROPOSALS

At Cardiff, the European Council endorsed the principle that major Commission policy proposals should be accompanied by an appraisal of their environmental impact. In its report to the Cologne Summit in May 1999 the Commission acknowledged the weaknesses of the current Green Star System.

The Commission is currently reviewing its system

5. CONCLUSIONS

It is encouraging that the various Councils have started to address the issues and are taking the first steps towards preparing the kind of strategies the European Council has called for. Progress is clearly uneven, and further work is required to ensure that they meet the expectations of successive European Councils to contribute positively to achieving the Treaty objectives. The various strategies have referred to climate change, Enlargement and the

environmental dimension of employment as cross-sectoral issues where relevant, as requested by the European Council. However, clear timetables for individual measures as well as objectives are largely absent which makes the monitoring of progress difficult.

Achieving sustainable development is an ongoing process and it is hard to set a deadline for it. Where indicative targets and timetables have been established, they have helped to focus attention and monitor progress. For example, the Community will have to present progress towards sustainable development in 2002, when the 10-year review of the Rio process takes place. Other important steps on the path towards sustainable development will be compliance with the Kyoto Protocol during 2008-2012, and achieving demonstrable progress towards compliance by 2005. As mentioned above, addressing climate change is one of the most important integration challenges that the Community is facing.

The Commission considers that in the further development of strategies in individual areas the following general elements merit consideration:

- The development of the various strategies has been uneven and further work will be required in the coming period to develop them further including the requirement for timetables for action.
- More focus should be put on addressing the origin of problems rather than seeking to abate the effects often with end of pipe solutions.
- More reflection is needed on the role of long-term and intermediate-term sector-specific environmental targets taking account of the specific characteristics of the sector. Such sector-specific targets have already been used in some Member States and could also be useful at the Community level.
- Some Member States have good experience in environmental integration both in administration and policies as well as in the development of indicators. Exchanges on best practice already take place, but much more could be done.

Besides these horizontal considerations, specific short and medium-term actions in the individual sectors will in the Commission's view further promote environmental improvements. *These actions are contained in Annex II.*

The European Council in Cardiff invited the Commission to report to future European Councils on the Community's progress in meeting the Treaty requirement on integration. The Environment Council in its Conclusions of 12 October 1999 have stressed the importance of regular monitoring based on Commission reports. **The Commission accepts the importance of periodic review of progress.**

In preparing the 10-year review of the Rio process, **the Commission considers that it would be useful to have an overall review by the European Council in June 2001** on the progress of developing and implementing the various Council strategies.

ANNEX I

MORE DETAILED ANALYSIS OF THE VARIOUS INTEGRATION STRATEGIES AND REPORTS BY THE COUNCIL

Transport

The current strategy was developed under a strong time pressure. The stepwise approach and the revision foreseen have reflected this. The strategy has in a well balanced way managed to handle the inevitable complexity of "transport and environment" and at the same time focused on the main environmental issues – not least climate change. Relevant ongoing activities have been included to a great extent and at the same time some specific new important areas to deal with have been identified giving the Commission a reasonable lead-time and thus speeding up the process. The first review of the strategy is set for June 2001.

In accordance with the strategy *a large number of activities have already started or been ongoing* for a while within the Commission. Apart from those already identified in the Council strategy document the following should be mentioned:

- The Commission formed in 1997 a joint Expert Group on Transport and Environment consisting of one expert from the transport side and one from the environment side from each Member State. The Expert Group has – by two working groups - concentrated on two main topics – "A strategy for integration" and specifically "Transport demand". Although the reports were finalised slightly after the decision in the Council, the work done and the conclusions of it have been of great importance for the development of the Council strategy.
- At the joint Council in 1998 the Commission was invited to develop 'in conjunction with the European Environment Agency, and taking account of work done in other international organisations and in Member States, ... a comprehensive set of indicators of the sustainability of transport... and report on them regularly to the Council.' The Commission (DG Transport, DG Environment, Eurostat) jointly with the Environment Agency developed the 'Transport and Environment Reporting Mechanism' (TERM), a set of 27 indicators to measure the integration process in the transport sector as well as to monitor deficits and achievements in the implementation of sustainability of transport. A Zero-Version of the TERM report will be submitted to the Transport Council in December 1999, complemented by a statistical compendium published by Eurostat containing all data that underlie the indicators. TERM is set up as an open system to be adapted if necessary. It has been identified in the Council strategy and will serve as the monitoring process requested for at the Cardiff summit. Reporting is foreseen on an annual basis.
- The Auto-Oil Programme was the first attempt to find cost-effective action programs to meet certain environmental targets. Its first phase was focusing on road transport and on technical measures. Auto-Oil II provides a working example of the process of integrating the environment into a range of transport related policy areas, including vehicle and fuels technologies, fiscal instruments, demand

management and other "non-technical" measures. By working closely with stakeholders and expert institutions, the Commission services have aimed to show how a wide variety of transport measures might form part of an integrated strategy to meet air quality objectives at the local and regional levels. A draft report from the programme will be ready before the end of 1999 covering the trends in emissions and urban and regional air quality, potential measures to reduce emissions from road transport and their costs and benefits.

The current Council strategy is well developed concerning different actions but perhaps less so concerning the definition of sustainable transport and the long term environmental targets that has to be met. A further development in this aspect is necessary to guidance on the design of different tasks carried out in the future to implement the strategy. These kind of considerations have been addressed more explicitly in the conclusions of the Expert Group on Transport and Environment. In its first revision of the strategy (June 2001) the following topics should be given some further attention:

- As stated in the conclusions from the Joint Council in 1998 the development of an integration strategy should be based on long term and intermediate term targets. Such sector-specific targets has been used in some Member States and could be used also on a European level. It is therefore important to study if and how this could be used in the future implementation of the strategy.
- The concept of integration will influence the role of different parts of the administration. It is not only the transport sector that has to adapt itself to the responsibility but also the environment sector will have a new role in assisting, pushing and monitoring the progress. The ongoing work within the Expert Group has clearly shown that there is a need to look into the consequences of introducing this new concept.
- The variation in progress of implementing the concept of sector integration is big between Member States. This is also the fact concerning the awareness of the problems and on possibilities to tackle those problems. As highlighted in the Council strategy there is a need to develop mechanisms to gather and disseminate information on best available practices. As has been underlined by the Expert Group this should include examples on how to find solutions of institutional problems on a local as well as on a national level.

Energy

The energy sectoral strategy builds upon earlier Council debates and in particular the Commission's Communication entitled "Strengthening Environmental Integration within Community Energy Policy" (COM (1998) 571) and the Energy Council report to the European Council meeting in Vienna in December 1998.

The three priorities of energy policy, security of supply, competitiveness and environment are the main focus in defining sustainable development in operational terms.

The foundations for a comprehensive policy consist of:

- a sustained commitment to energy efficiency and energy saving;
- developing the use of safe energy sources with low or no CO2 emissions within the framework of Member States energy policy; and
- reducing the environmental impact of the use of energy sources with high carbon content.

A number of priority areas for action have been identified, including developing the internal energy market, promoting renewable energy sources, enhancing energy efficiency and looking towards internalising the external costs/environmental benefits.

The emphasis in the period to 2002 is to implement energetically the different Community programmes, including the Community Energy Framework Programme and 5th Research and Technological Development Programme. Within each programme the terms and timetables of the respective directives and programmes are confirmed.

An important development in common actions is the potential for accessing electricity from renewables in the internal market and a proposal from the Commission is expected this autumn.

On the strengthening of co-ordinated measures the Council, with other fora of the Council, including environment, has confirmed areas where further progress is required and in particular in strengthening co-operation with economic actors and between Member States.

Looking to beyond 2002 the Commission is invited to review the strategy with a view to developing new policy initiatives, taking into account the implications of enlargement. The review should be prepared after wide consultations with relevant parties and be available for consideration by the Council at the latest by autumn 2000.

The role of monitoring with indicators progress in achieving the strategy is confirmed as an essential part of the overall approach. As a first step a preliminary set of indicators have been identified and these will be developed in the light of experience gained in monitoring sustainable development including environmental concerns. The focus is at Community level for the moment.

Agriculture

The agreement on CAP reform reached at Berlin in spring 1999 provided a concrete step in the integration process. The environmental elements of this reform had been set out in the Communication "Directions towards sustainable agriculture", COM (22) 1999.

The Agriculture Council Strategy responds to the request of the Vienna Council to address the integration of environmental requirements into the Common Agricultural Policy (CAP) through the reforms under Agenda 2000. The Strategy also sets

concrete objectives for water, agro-chemicals, land use and soil, climate change and air quality, as well as landscape and biodiversity.

The measures referred to in the Strategy encompass environmental requirements and incentives integrated into the market policy as well as environmental measures established under Rural Development Policies. The latter have been reinforced as a second pillar to the CAP.

Through agri-environmental measures, being a compulsory elements of rural development programmes, farmers are remunerated on a contractual basis for services, which preserve or enhance the rural environment and landscape. The Less Favoured Areas scheme contributes to ensuring the continuation of farming which in many areas is desirable for environmental reasons. It can also support the implementation of policies such as those applied under the Habitats Directive.

The overall context of integrating environmental requirements into the CAP is given by the common rules regulation. According to this regulation, Member States have to undertake environmental measures. However, there is a high degree of discretion as to how they meet this obligation. The options being at the disposal of Member States include the application agri-environmental measures, mandatory environmental legislation and the definition of specific environmental requirements. The enforcement of the latter two options can be supported by reducing or even cancelling direct support payments given under the market organisations.

While very intensive and frequently non-land using agriculture is often not supported by direct payments from the EU, it too places increasing strain on the environment. In this regard it is necessary that compliance with environmental legislation such as the Nitrates directive be improved as this in turn would provide tangible evidence of a commitment to integration.

The integration strategy is compatible with the Polluter Pays Principle. As a general rule, farmers have to bear the compliance costs of observing "good agricultural practice" including the respect of mandatory environmental legislation. More ambitious environmental objectives above this reference level can be pursued through payments to farmers for environmental services.

The application of the full range of environment-related measures should enable Member States to improve the balance between agriculture and the environment. It could eliminate damaging features of agriculture and enhance positive ones. In this respect, the Agriculture Council Strategy underlines that implementation of the available measures by Member States is essential for ensuring that sustainability becomes the reality of European agriculture. The Commission will follow attentively Member States efforts as evidence of the commitment to integration.

The strategy underlines the need for rigorous monitoring and evaluation of integration, based on meaningful environmental indicators, reflecting site-specific conditions. In this respect the Commission undertook intensive work to provide monitoring and evaluation guidelines and to prepare a framework for agri-environmental indicators. A publications entitled "Agriculture, Environment, Rural Development – Facts and Figures" has been issued recently. Currently, it is finalising a Communication to the Council on agri-environmental indicators which includes a

long term strategic approach towards the completion of a set of agri-environmental indicators.

Industry

On 29 April 1999 the Industry Council adopted conclusions on "integrating environment and sustainable development in the industrial policy of the EU". This was followed on 9 November 1999 by a report on "integrating sustainable development and industrial policy". This report emphasises the three pillars of sustainable development: environmental protection, economic development and social development. They especially address climate change, employment, enlargement, changes in production and consumption patterns and new approaches such as eco-efficiency and integrated product policy.

The report underlines the need to broaden the range of policy instruments for achieving sustainable development. They also address the need to develop policy and performance indicators in order to monitor the implementation of an integration strategy, and commit the Council to develop this strategy in more detail, to be applied by the end of 2004. The need of improving co-operation and exchange of information between the relevant formations of the Council as well as with all stakeholders is particularly emphasised.

The Commission is co-operating closely with the Council in the development of an integration strategy. A Commission Staff Working Paper on "Sustainable Industrial Development" has been developed. The Commission has also launched a study on indicators for monitoring integration of environmental concerns and sustainable development in industrial policy as well as a project for the development of an integrated appraisal methodology for the assessment of impacts on environment, competitiveness and innovation of proposals and activities in the policy areas related to industry. The Commission generally welcomes the efforts being made by the industry Council, but emphasises the need to develop a detailed and concrete action plan as soon as possible that will operationalise the implementation of the strategy

Internal Market

- Future strategies ("priorities") are very often based on the "key objectives" of the Commission's Communication on Single Market and Environment of June 8, 1999 COM (1998) 263. There is therefore sufficient basis for the development of the lines of action proposed by the Commission and endorsed by the Council. The Commission will continue its work on how to extend the integration requirement (as set in Article 6 EC Treaty) to new areas.
- The fact that sustainable development and a high level of environmental protection are now part of the tasks of the Community is underlined in the report. The Commission will strive to produce tangible results in particular in what it considers to be first priority areas which concern public procurement and standardisation. To this effect, proposals will be forwarded from the Commission soon.

- The report only gives a preliminary answer to the question of the mandate given by European Council in the Vienna conclusions on indicators for the Internal Market as a whole. However, a timetable has been set for the Commission to report such an assessment to the Council by the second half of 2000. The development of indicators and setting of a clear timetable for action will be essential in view of the future progress of the integration strategy, in line with the Vienna conclusions.
- The actual application of the "Balanced Approach" is clarified in theory and it is clear, especially from the Commission Communication on Single Market and Environment, which principles will have to be taken into account. However, the time has come when theory must be transformed into practice. The Commission, the Member States and the stakeholders involved will have to work-intensively on this issue.

Development

The Development Council's report, adopted by the Council on 11 November 1999, builds on the Development Council conclusions of May 1999, on the Commission information note of 14 April 1999, and the Commission Communication COM(1999)499 final "Integrating environment and sustainable development into economic and development co-operation – Elements of a comprehensive strategy".

The Council report recognises that since EC economic and development co-operation is based on continuous dialogue with and ownership by the partner countries, the elements of the strategy presented in the report must be complemented by more detailed solutions identified jointly with the partner countries. The Development Council takes a broad definition of sustainable development to include 'politically democratic and pluralistic' and refers to the development co-operation objectives of the EC Treaty and the OECD Development Assistance Committee. The Council report stresses that the Community must increasingly support preparation and implementation of national strategies for sustainable development in order to build the capacity of developing countries to assume ownership for and to give adequate attention to environmental issues.

The Commission Communication COM (1999)499 underlines the importance of coherence between development policy and other EC policies and sectors, notably agriculture, fisheries, industry and trade. Particular emphasis is given to the links between environment, globalisation and poverty. The Council Report, in this respect, emphasises that the Commission, with Member States, shall actively review emerging policy proposals for greater policy coherence when integrating the environment and sustainable development into economic and development co-operation policies and other EU policies affecting developing countries.

The Communication also looks upstream to the level of sectoral policy making and country programming. Support for structural adjustment and for private sector development are emphasised as two areas particularly in need of a more integrated approach. Furthermore, the Council report defines some elements of a strategy which "must be taken into account, for example, in the forthcoming Commission

communications, work programmes, reports and policies affecting developing countries”.

The Commission Communication recognises that efforts should be continued to implement the recommendations of the 1997 evaluation and makes proposals to improve the quality of environmental screening and appraisal as well as to make more effective use of limited staff resources and expertise. Following this argumentation, the Council report cites the main findings of the 1997 evaluation 'Environmental performance of EC co-operation' and reports on the progress made at policy and operational levels. The Council urges the Commission to increase its efforts to apply environmental assessment procedures. It also makes reference to the separate Development Council Conclusions on climate change and EC economic and development co-operation. The Conclusions on climate change call on the Commission to report on progress made as soon as possible after the 6th Conference of the Parties of the UN Framework Convention on Climate Change to be held in The Hague in November 2000.

Sustainable development indicators developed by the OECD Development Assistance Committee, specific actions and related indicators presented in the Commission Communication as well as regular evaluations will be used to monitor progress. Finally, the Development Council calls on the Commission to “prepare, in consultation with Member States, a specific strategy, including a timetable, for the implementation of the strategic, operational and organisational measures recommended in this report, by the next Council meeting”.

The Communication draws attention to the importance of Multilateral Environmental Agreements (MEAs) for developing countries and urges increased Community support for their efforts to implement the Conventions, in particular those related to climate, biological diversity and desertification.

ANNEX II

MAIN SHORT AND MEDIUM-TERM ACTIONS FOR INDIVIDUAL SECTORS

The main actions identified below, for the short and medium term, in the key policy areas reflect and update the integration priorities set out in the Fifth Programme and its review and will complement the Council's integration strategies. Many of them have already been identified in Commission proposals or are under consideration by Commission services, or implement decisions already taken.

1. AGENDA 2000: MORE OPPORTUNITY FOR MEMBER STATES

Agenda 2000 contains a series of positive measures from an environmental point of view which will give Member States an opportunity to reap environmental benefits.

1.1. The structural funds reform: support and respect for the environment

The priority set out in the review of the 5th Environment Action Programme was:

- to monitor closely, at the EU and Member States levels, the impact of the Structural Funds
- to reinforce links between these financing instruments and respect for environmental policies, putting emphasis on the quality of the investments and on criteria.

This priority has been incorporated into the new regulations, covering the period until 2006 which introduce or strengthen measures to enhance the integration of environmental concerns into the planning, programming and implementation of the actions undertaken by the Structural Funds in support of economic and social cohesion. Protection and improvement of the environment to achieve sustainable development are among the principal aims of the Structural Funds. First, environmental considerations are to be better integrated into the Structural Funds programming process through the assessment of environmental impacts via *ex ante* evaluation of programmes and the establishment of monitoring indicators which would also allow adjustments to the programmes to be made at mid-term. Secondly, through a more widely drawn partnership, that includes environmental authorities and NGOs, the environmental dimension can be better taken into account. Interventions in favour of the environment can be also encouraged by a higher rate of Community co-financing.

The Commission should continue to monitor the respect of the environment in the framework of the implementation of the programmes, putting emphasis on the ex-ante evaluation, partnership with environmental authorities and greater accountability through improved measurability of results and indicators.

Considering that the reform has reinforced the responsibility of Member States to implement and comply with Community legislation and policies, it is crucial that the following priorities are incorporated in their programmes.

Main actions:

As far as the environment is concerned, the priorities of the Structural Funds include the following:

- *The integration of sustainable development and environmental protection into programming, implementation and assessment;*

- *Compliance with environmental legislation;*

- *Support for Regional Development measures adapted to circumstances including:*

- Environment infrastructure that meets Community environmental standards
- Sustainable transport infrastructures;
- Energy efficiency and renewable energy resources;
- Productive investment related to the environment;
- Environment-related qualification.

1.2. The Agriculture reform: scope for environmental integration

The review of the 5EAP stressed the following priorities:

- integration of market/rural development and environmental policies in Agenda 2000;
- reporting on effects on the environment;
- promotion of sustainable farming;
- comprehensive approach on rural development; and
- internalisation of environmental costs in agriculture products and processes.

This has been translated into the Agenda 2000 CAP reform that, in addition to reducing institutional prices in several key sectors, establishes clear links between direct support payments and environmental protection requirements. Progress towards sustainable agriculture now depends on the extent to which Member States take up these opportunities in particular in relation to environmental protection and in the programmes that they have to establish at national and regional level.

The Member States have to undertake appropriate environmental measures, with the following options at their disposal:

- implementation of appropriate agri-environmental measures under the rural development programmes;
- making market payments conditional on the observance of generally applicable mandatory environmental requirements.
- Linking direct payments under Common Market Organisations to specific environment requirements.

Agenda 2000 also establishes rural development as a pillar of the CAP with respect for the environment as a key element of the plans to be drawn up at national and regional level. These plans may include measures on forestry and less favoured area. The inclusion of agri-environmental measures is compulsory. Environmental gains may also flow from the introduction of "national envelopes" in beef and eventually the dairy sectors.

Agriculture and forestry also have a role in making progress on climate change, given on the one hand the significant contribution of methane from cattle to greenhouse gases and on the other hand the opportunities for forests to act as carbon sinks.

Main actions

At Community and Member States level:

- Promote sustainable agriculture practices, including a better balancing of inputs (chemical/pesticides strategy) and outputs, soil protection (future strategy), the protection of biodiversity (Natura 2000, and agri-environment programmes) and landscapes, water quality and quantity (water framework directive, nitrates directive).
- Investigate the suitability of applying environmental taxes to agricultural input.
- Continuous evaluation and improvement of collection of data on the link between agriculture and the environment.
- Develop further agri-environment measures, integrated production methods and organic farming and other forms of sustainable agriculture.

At Member State level:

- National programmes and measures should translate environmental protection requirements into practical terms, based on a clear identification of national and regional environmental problems;
- If environmental requirements are not respected, individual subsidy payments could be reduced or taken back and put into the accompanying measures under rural development.
- At regional level, guidelines for good farming practices need to be established in a broad consultative process involving farmers, NGOs and other stakeholders.

At Community level:

- Defend the model of multifunctional agriculture in WTO negotiations and ensure further progress towards sustainable farming, including a larger organic sector.

2. TRANSPORT

There has been progress in measures taken on car emissions standards and fuel quality, but slow progress on de-coupling transport demand and economic growth. Demand-side priority,

emphasised already in the review of the 5th Programme, still faces the same difficulty. In addition to existing targets on air quality (which fix targets for air pollutants such as sulphur, dioxide, particles and lead) the transport sector should adopt new environmental targets, such as on the reduction of greenhouse gas emissions, noise, and air pollution contributing to acidification, ozone, and eutrophication.

Therefore, the actions that make up strategies to an environmentally sustainable transport system in order to change the way the European transport system works must be oriented towards reversing the unsustainable trends of current transport growth, especially in road freight, private car use and civil aviation.

Main actions

To internalise the environmental costs into prices of transport.

- fair and efficient pricing based on the polluter pays principle including fair taxation of fuels across all modes of transport and a shift towards variable taxation on cars in order to increase people's awareness of the costs of their travel.

To reduce the harmful effects of transport:

- Encouraging the use of information and communication technology as a substitute for transport.
- Making transport a top priority in land-use planning and urban development, and making transport impact assessment a part of other sectoral policies.

To improve existing transport management.

- A shift of freight and passenger transport from road to public and less damaging modes of transport, such as rail, short-sea shipping and inland waterways, without disregarding the environmental problems inherent in these modes. Revitalising the EU's rail sector will play a crucial role in this respect and making the rules on public procurement more favourable to this kind of transport.
- Strategic Environmental Assessment of large-scale transport plans and programmes, notably in the context of the trans-European transport networks but also on the national level.
- Use of Regional Funds in projects that support a modal shift away from private and road freight transport.
- Public procurement rules to promote environmentally friendly actions at all levels.
- Research and technology: On a short to medium time scale, further improvement of vehicles, combustion and catalyst technology, fuels and infrastructure to reduce exhaust emissions and energy consumption as well as noise. Use of telecommunications and navigation systems to link up different modes of transport, providing innovative information services and optimising transport and logistics systems, both in passenger and

freight transport. Looking at a long-term perspective, work towards new drive technologies and the associated fuelling infrastructures.

- Development of renewable energy sources.
- Promoting the use of non - motorised transport in urban areas by the exchange of good practice and benchmarking.

To improve data availability.

- Take the necessary steps to produce unambiguous and comparable data for the compilation of indicators.

3. INDUSTRY

The 5th Environment Action Programme priorities were as follows:

- the development of eco-management schemes;
- the role of small and medium sizes enterprises;
- development of the concept of eco-efficiency and a framework for an integrated product policy, including the reduction of the wastes generated,
- cleaner products;
- reduction of hazardous substances, in particular persistent organic pollutants;
- move towards a comprehensive control of industrial installations, including smaller ones;
- the internalisation of environmental costs and of the polluter pays principle;
- the promotion of Best available technologies and best practices;
- the development of eco-business.

There has been progress on the development of the Eco-Management Audit Scheme, and a proposal on an integrated product policy is planned in 2000, but no progress on the Commission's proposal to extend the IPPC directive to SMEs. There are intense relations with the related industrial sectors in the definition of policy measures on e.g. air quality and climate change. Work on the development and dissemination of eco-efficiency and best practices within industry and on international activities will be continued.

Main actions

The above priorities are still valid, in addition:

- Establishment of industrial strategies that take into account the precautionary and prevention principles regarding the possible effects on the environment of their processes and products;
- Definition of guiding principles for industry sectors to achieve a coherent and comprehensive control of pollution from industrial installations;
- Link integrated product policy, chemical strategy, safety of products and processes;
- Closer partnership between the industry and the environment at all levels, e.g. voluntary agreements and the 'Partnership with business' initiative, taking into account competition rules;
- Concentrate efforts on SMEs such as support measures to improve their environmental management and performance;
- A Green Paper on integrated product policy;
- Development of the methodologies and tools needed to produce unambiguous and comparable data for the compilation of indicators and collection of that data.

4. ENERGY

The priorities of the 5th Environment Action Programme have been incorporated in the report to the Vienna European Council by the Energy Council apart from the objective to internalise external costs and benefits through economic instruments, which is tackled by the ECOFIN.

The Energy Framework Programme (1998-2002) with six specific programmes has been created to ensure transparency, coherence and co-ordination of all energy actions. In addition, the Fifth Framework Programme for research, technology and development (RTD) for the years 1998-2002 has a direct impact on the energy sector's capacity to contribute to meeting environmental objectives. While Member States have the primary responsibility for energy policies and for integrating the environment within their energy policy, the Community has a valuable complementary role in facilitating co-operation between Member States and in ensuring coherent and cost effective action at Community level. In particular, the financial support offered by the Save and Altener programmes plays mainly a catalytic role for meeting the Kyoto commitments. Addressing new policy measures and instruments such as ambitious environmental agreements and development of joint implementation mechanisms and fiscal incentives is also necessary.

Main actions:

- Enhancing energy efficiency and savings to which the liberalisation of the internal market and increased competition should contribute;
- Putting more emphasis on the demand and consumer behaviour;

- Internalising external costs / environmental benefits and adoption by the Council of the energy products tax (Ecofin);
- Research and Development and dissemination of new and advanced energy technologies and techniques;
- Increasing co-operation and co-ordination between Member States, in particular with regards to the commitments of the Kyoto Protocol and the application of the flexible mechanisms;
- Reducing the environmental impact of production and use of traditional fossil , new fuels and nuclear power;
- Use of Regional funds in projects that support clean energy and renewable energies;
- Identifying new data needs and improving data availability.

5. TOURISM

As the most rapidly growing industrial sector, there should be a strategic approach on how to address this issue in relation to EC policies (internal market, industry, transport, Structural Funds, land use and environmental policy). In addition the Community has developed several measures for disseminating and promoting good practices in the sector. Due to the international nature of the tourism sector, the industry has a special role in ensuring that the same good practices are followed in their activities outside the EU.

Main actions

- Sectoral policies need to consider the trends in tourism
- Need to develop indicators and to take into account the overall impact of tourism and related infrastructures on the environment (air pollution, CO2 emissions, water, biodiversity, coastal zones, mountainous regions...)
- Promote good practice on impact assessment and carrying capacity of tourist sites
- More focus should be given to demand side and increased partnership with the tourism professionals

6. OTHER POLICIES

6.1. Internal market

The European Union must consolidate and further develop the positive interaction between two legitimate demands of European citizens:

- the smooth operation of the internal market
- a sufficient degree of environmental protection.

Although Internal Market is not one of the five target sectors identified in the 5th Environmental Action Programme, it has close links with all of them. The Commission has adopted a Communication on Internal Market and Environment which highlights the synergies between these policies. This needs to be reflected in measures promoting a high level of health, safety and environment protection while ensuring that the relevant measures are non-discriminatory, necessary and proportionate.

Public procurement policies can also offer possibilities for environmental protection. The Commission's Communication on public procurement³ contains a chapter on the environment. A specific interpretative document is under development to further clarify the issue within the current legal framework.

Main actions:

- Integration of environmental considerations into standardisation;
- Increased use of environmental taxes and charges;
- Development of reporting criteria for environmental issues in financial accounts;
- Enhancement of synergies with transport and energy sectors and the development of indicators in this respect;
- Further enhancement of synergies between public procurement policies and the environment;
- Enhancement of synergies between Integrated Product Policy and the Internal Market;
- Review the environmentally-related national technical regulations notified under Directive 98/34 in order to determine where harmonised measures may be justified at EU level;
- Environmental requirements for investment and promotion of green financial products.
- Handbook on the application of Articles 28-30 with concrete examples based on previous experience

6.2. Fisheries

The Community system for fisheries and aquaculture (Common Fisheries Policy, CFP) as revised in 1992 stipulates that exploitation of living marine resources should take account of implications for the marine ecosystem. Despite what has been achieved much has still to be done to attain the objective of sustainable and rational fishing. The Commission has published a Communication on Fisheries management and Nature conservation in the Marine Environment. (COM (1999) 363).

The viability of fisheries and aquaculture is dependent on the quality and availability of marine resources, which in turn depend primarily on good management, but also and to a substantial extent on the quality of the marine environment. One of the main goals of the CFP, now and in the foreseeable future, will be to reduce and ultimately eliminate overexploitation and hence to reach an appropriate equilibrium between fishing activities and targeted stocks.

Main actions:

- Increase of contribution from scientific research to fisheries management and to the appraisal of the relationship between fisheries, including aquaculture, and marine ecosystems
- Increased application of the precautionary approach to fisheries management
- Control of fisheries pressure including reduction of biological impact, to support the conservation and sustainable use of commercial stocks and marine ecosystems.
- Improvement of training, information and transparency.

These priorities should be pursued at Community and national levels, but also in bilateral and multilateral negotiations in which the Community takes part.”

7. SYNERGY ENVIRONMENT/EMPLOYMENT : ECOFIN AND EMPLOYMENT & SOCIAL AFFAIRS COUNCIL

At the EU-level, the ECOFIN council has a key responsibility for identifying and promoting effective fiscal reforms that support the integration of environmental objectives into the policies of different sectors such as energy and transport.

Tax reforms, such as a tax on polluting forms of energy production and use, should be fiscally neutral with the underlying aim of shifting taxes from labour to resource use.

This priority is also reflected in the EU Employment Strategy (Luxembourg process)

- Member States are encouraged to set a target, if appropriate, for reducing the fiscal pressure on labour and non-wage labour costs, particularly for the low skilled. At EU level,

³ Commission Communication “Public Procurement in the European Union”; COM(98)143 final of 11 March 1998.

further work is desirable on introducing taxes on energy and desirability of taxes on polluting emissions should be investigated. Member States are also encouraged to develop measures to exploit the potential for job creation in environmental services.

- The Commission's Joint Employment Report provides an annual assessment of the progress that Member States are making in implementing the Guidelines. However, there is also a need for a process of exchange of experience between policy makers to promote best practice in exploiting environment/employment synergies.

8. ECONOMIC DEVELOPMENT AND CO-OPERATION POLICIES

Reversing the world-wide fall in real term development assistance is key to creating the political conditions needed to meet international objectives, first and foremost to reduce poverty.

Community co-operation policies should focus on building capacities in the partner countries to integrate environmental considerations across the development process and to initiate and strengthen their national strategies for sustainable development. Special attention should be given to the support of the public environmental regulatory and monitoring functions, the promotion of market-base environmental policy instruments and the improvement of both public and private sector environmental management capacities. Through an enhanced dialogue with each partner country or region, specific sustainable development and environmental priorities in these areas should be identified.

There is a need to allocate a more significant share of Official Development Finance (ODF) in a strategic way in order to support necessary policy reforms for solving environmental problems in developing countries, which continue to undermine sustainable economic and social development. Better public decision-making will also result in an increased allocation of public funds in developing countries to solving environmental problems. There is also a need to build stronger links – through a strengthened policy dialogue – between the use of ODF and multilateral environmental agreements, in particular on global issues, in order to support the efforts of developing countries to meet their international obligations.

Within the Community strong political commitment to environment integration process in economic and development co-operation will continue to be needed, as will improved institutional arrangements (e.g. environmental assessment procedures and training) and sound management and evaluation of the quality of the integration process. Impacts of other European policies, such as trade, agriculture and fisheries, on developing countries and their environments should also be analysed.

The roles of the Commission, Community and the Union in international work all need strengthening. The EU must ensure it is effective, notably in its negotiating capabilities, visibility and coherence. The European Union should play an enhanced role in all relevant organisations where issues under areas of mixed or exclusive competence are discussed (e.g. UN bodies, incl. the Commission on Sustainable Development, the Secretariat of the UNFCCC, the World Bank etc.) The EU should have a more co-ordinated policy towards the role and use of the Global Environment Facility and other multilateral financial mechanisms. It could also be considered, whether the Community should be able to contribute to such financial mechanisms.

There is a need to develop preventive policies for dealing with the links between environmental degradation and security, as well as policies to effectively address, in co-

operation with relevant organisations, the serious environmental impacts of conflicts in some critical areas of the Mediterranean.

9. TRADE – PREPARING THE MILLENNIUM ROUND

Environmental objectives should be mainstreamed throughout the WTO Millennium Round negotiations to be launched in 2000. This is necessary in order to maximise positive synergies between trade liberalisation and environmental protection (e.g. through the removal of environmentally harmful subsidies) and to prevent the conflicts and tensions that could arise if trade rules unduly constrained the ability of countries to pursue effective environmental policies.

Key issues to clarify include the use of trade measures in international environmental agreements, eco-labelling and the relationship between trade rules and core environmental principles, such as the precautionary principle. It is also necessary to improve transparency in the WTO to make it easier for civil society to express concerns effectively.

The Millennium Round will only be successful if there is a balanced and comprehensive package addressing the special needs and priorities of developing countries.

The Commission is conducting a sustainability assessment of the new WTO Round: an important step towards improving the mutual supportiveness of trade and environmental policies in the EU and at the international level. The assessment aims at identifying potential sustainability impacts and appropriate policy responses. The translation of this into systematic reviews of trade measures and agreements will need to be considered.