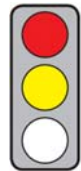


MAIN ISSUES

Objective of the Communication: The Commission presents measures for a more efficient use of resources which are to be implemented by 2020.

Parties affected: Consumers and companies



Pros: The abolition of environmentally harmful subsidies can improve resource efficiency.

Cons: (1) Blanket regulation aimed at resource efficiency runs the risk of creating overregulation, as not every resource use is environmentally harmful.

(2) Prescribing binding planned economy energy efficiency targets impedes economically efficient resource savings.

(3) The expansion of the Ecodesign Directive to products which are not energy-relevant will interfere with the production processes of other sectors, without even having established if in each particular case the use of resources is harmful to the environment.

CONTENT

Title

Communication COM(2011) 571 of 20 September 2011: **Roadmap to a Resource Efficient Europe**

Brief Summary

► Background and objectives

- The Commission sees economic development in the EU being jeopardised by increasing consumption and the inefficient use of “resources” (e.g. raw materials, energy, water, air, soils) that are becoming more and more scarce and expensive (p. 3).
- The efficient use of resources “within their maximum sustainable yields” (“resource efficiency”) is to “restructure” the EU economic system by 2050 (p. 3), so that both
 - the economy grows and its competitiveness increases, thereby allowing a high living-standard,
 - and resources are preserved and the environment significantly less harmed.
- The roadmap forms a political framework, defines the “milestones” for the period until 2020 and outlines the actions necessary to achieve these milestones by 2020.
- In order to measure developments in resource efficiency and to set targets:
 - first of all, a provisional lead indicator of “resource productivity” will be applied, which expresses the ratio of gross domestic product (GDP) to “Domestic Material Consumption” in terms of Euro/tonne (p. 20); and
 - by the end of 2013, complementary indicators e.g. for environmental burdens will be developed.

► Resource conservation in production and consumption

- The Ecodesign Directive (2009/125/EC; s. [CEP Policy Brief](#)) empowers the Commission to stipulate provisions for more “energy-related products”, in order to promote a more environmentally friendly design (“eco-design”).
- The behaviour of citizens, companies and authorities needs to change if resource efficiency is to be improved, for instance, by buying recyclable products or only leasing products.
- By 2020, the Commission wishes to achieve the following milestones:
 - “Minimum environmental performance standards” to prohibit the least resource efficient products.
 - “Price signals” and information on the environmental impact and resource efficiency of products and services over the entire life-cycle (“environmental footprint”) to induce consumers to choose the most resource efficient version.
 - The decoupling of economic growth and prosperity from resource use.
- In order to achieve the milestones by 2020, the Commission calls for:
 - an expansion of the scope of the Ecodesign Directive to non-energy related products;
 - a tightening of requirements regarding the use of environmentally friendly products and services in public procurement (s. [CEP Policy Brief](#));
 - a method with which to compare the “environmental footprint” of products.

► Waste as a resource

- Although overall waste generation is stable in the EU, certain types of waste, e.g. building waste, are growing.
- On average, 40% of EU waste is recycled; in some Member States it is even more than 80%.
- By 2020, the Commission wishes to achieve the following milestones:
 - Generated waste per capita declines;
 - The management of waste as a resource becomes an “economically attractive” alternative.

- The amount of recycling increases to such an extent that landfill is virtually eliminated.
- In order to achieve the set milestones by 2020, the Commission calls in particular for:
 - the introduction of minimum recycled material rates; and
 - an increase of the demand for recycled materials through economic incentives.
- ▶ **Research and innovation**
 - Innovations should contribute to the increase of resource efficiency.
 - The Commission wishes to achieve the following milestone by 2020:
 - Resources are better managed, recycled and protected by scientific “breakthroughs” and innovations (p. 9).
 - In order to achieve its milestone by 2020, the Commission in particular calls for:
 - The creation of incentives for private investments in research and development leading to “breakthrough” innovations (p. 9).
 - The focussing of EU research funding on key resource efficiency objectives and support for innovative solutions (e.g. for biodegradable plastics).
 - The establishing of public-private partnerships to pool national research.
- ▶ **Prices and subsidies**
 - In view of the significance of market prices as the main criteria for purchasing choices and investment decisions, the Commission criticises that many prices:
 - are distorted through subsidies and tax reductions; and
 - do not necessarily reflect the true costs of using resources and their environmental impacts.
 - Subsidies can be environmentally harmful in that they lead to inefficient resource use and higher levels of emissions and waste and hinder investments in green technologies.
 - “Environmental taxes” levied on environmentally harmful practices can help improve resource efficiency. Their average share in the total tax revenues in the EU, however, is declining.
 - By 2020, the Commission wishes to achieve the following milestones:
 - Eliminate environmentally harmful subsidies;
 - Achieve a “substantial” increase in the share of environmental taxes in EU public revenues (p. 11).
 - In order to achieve its milestones by 2020, the Commission calls in particular for:
 - the identification of environmentally harmful subsidies and the setting of deadlines for phasing them out;
 - the creating of incentives to induce consumers and undertakings to choose resource efficient products and production procedures; and
 - the shifting of taxation away from labour to environmental impacts.
- ▶ **Resource-specific measures**
 - The Commission criticises the fact that many natural resources such as air are treated as “free” commodities and therefore are “overly depleted or polluted” (p. 11).
 - In the EU, 20 to 40% of water is wasted.
 - The predicted costs of air pollution in 2020 are estimated to be €537 bn.
 - Decisions on land use are often taken without a prior strategic environmental assessment.
 - The Commission wants the economic value of “natural capital” to be measured by means of indicators, in order to ensure the long-term provision of “ecosystem services”.
 - “Natural capital” means all natural resources and ecosystems that provide utility through “ecosystem services” (e.g. cleaning water through filtration).
 - By 2020, the Commission wishes to achieve the following objectives:
 - Natural capital and ecosystem services are “properly valued and accounted for” (p.12).
 - The loss in biological diversity (“biodiversity”) in the EU is halted.
 - Water abstraction remains below 20% of the available renewable water resources.
 - All air quality standards are complied with.
 - The shaping of EU policies takes into account their impact on land use.
 - In order to achieve the milestones by 2020, the Commission calls in particular for:
 - ecosystem services to be properly valued;
 - exploring the introduction of a “financing facility” to assess projects protecting biodiversity and payments for ecosystem services;
 - the development of “water efficiency measures”, e.g. guidelines for water re-use; and
 - an assessment of air quality and emissions standards.
- ▶ **Sector-specific measures**
 - In industrial countries, the nutrition, housing and transport sector are responsible for around 75% of all environmental impacts.
 - In the EU, 90 million tonnes of food are “wasted” every year.
 - “Better” construction and use of buildings in the EU would reduce energy consumption by 42% [s. COM(2007) 860] and water consumption by 30% [s. COM(2007) 414].

- By 2020, the Commission wishes to achieve the following objectives:
 - The transport sector uses resources in an optimal manner and creates less negative impacts on the environment.
 - An average annual reduction in transport greenhouse gas emissions of 1%.
 - The halving in the EU of “edible food waste” (p. 17).
 - The renovation and construction of buildings are subject to high “resource efficiency levels”.
 - 70% of non-hazardous construction and demolition waste are recycled.
- In order to achieve its objectives by 2020, the Commission calls in particular for:
 - the implementation of the actions proposed in the Transport White Paper [COM(2011) 144, s. [CEP Policy Brief](#)], in particular the internalisation of external costs [see COM(2008) 435, s. [CEP Policy Brief](#)] in order to reduce transport-related greenhouse gas emission by 1% every year;
 - “waste” in the food sector to be reduced; and
 - the creation of incentives for investments in resource efficient construction.

Statement on Subsidiarity by the Commission

The Commission does not address the issue of subsidiarity.

Policy Context

The “flagship initiative for a resource efficient Europe” [COM(2011) 21] of the strategy “Europe 2020” [COM(2010) 2020; s. [CEP Policy Brief](#)] calls for setting medium and long-term targets and measures to increase resource efficiency. The flagship initiative is being gradually substantiated, amongst other things by the EU energy strategy 2020 [COM(2010) 639; s. [CEP Policy Brief](#)], the roadmap for moving to a low-carbon economy [COM(2011) 112, s. [CEP Policy Brief](#)] and the Transport White Paper [COM(2011) 144; s. [CEP Policy Brief](#)]. The current roadmap on energy efficiency is based on all these initiatives and is to complement them. Moreover, the EU has set specific targets for the reduction of greenhouse gas emissions, the increase of energy efficiency and the development of renewable energies, all of which are to contribute to the protection of resources [s. [CEP Compass](#), p. 10 ff. in German only].

Options for Influencing the Political Process

Leading Directorate General:	DG Environment
Consultation procedure:	A consultation procedure is not planned.

ASSESSMENT

Economic Impact Assessment

Ordoliberal Assessment

With the term “resource efficiency”, **the Commission** wishes to put forward a blanket regulation for efficient resource use. Such a far-reaching approach can lead to over-regulation, as not every type of resource consumption is necessarily related to a harmful impact on third parties (e.g. environmental pollution). Instead, the Commission **should focus on** taking the necessary measures only **in those areas in which resource use engenders damage to third parties and where consumers or undertakings do not have enough pricing incentives to reduce them.**

The Commission should not set binding planned economy targets for increasing efficiency, such as their planned minimum quota for recycled materials, for this pushes the economic efficiency of resource savings into the background. Then, it is no longer the market players who decide which efficiency measures are of benefit and it is no longer the market which discovers the cheapest measures for resource saving, but it is politics.

Expanding the Ecodesign Directive to cover products which are not energy-relevant can, in principle, contribute to the environmentally harmful aspects of such products also being taken account of. However, **the Ecodesign Directive** intervenes massively with the production process, irrespective of whether or not the consumption of resources in producing or using a product has a harmful impact on the environment. Therefore, the Ecodesign Directive **should not be expanded** to cover products which are not energy-relevant, **unless the Commission chooses a differentiated approach which takes into account the concrete damage impact.**

The price of demanded resources increases the scarcer they become. Thus, private decisions are more likely to lead to more efficient resource use than the creation of political incentives to purchase certain products or to employ certain production methods. For prices contain information on the scarcity of resources, and therefore, undertakings will decide in favour of those production procedures and consequently consumers in favour of those products which consume fewer resources.

Valuing natural capital and ecosystem services “properly” can help reduce damage to ecosystem services and, at the same time, maintain market functionality. As in this way, the “true costs” for the use of ecosystem services would be taken account of, without restricting the market players’ freedom of choice through

requirements and prohibitions. However, a precise determination of these “true costs” is not possible and therefore leaves considerable room for political discretion. Moreover, there are already many environmental requirements in the EU with regard to ecosystem services. They would have to be abolished in order to adjust the “true costs” to the use of ecosystem services, as otherwise users and consumers would be charged twice. For as long as rules and prohibitions exist, the taking into account of “true costs” cannot have any proper controlling effect.

Impact on Efficiency and Individual Freedom of Choice

Research and innovation can help improve resource efficiency. However, EU funds should be limited to basic research. In this field, there are minimal investment incentives for private companies, as private financing is normally impossible due to the unknown application possibilities. For applied research and concrete innovation projects, on the other hand, investment incentives do exist, as here innovation-based profits are possible (cf. [CEP Analysis](#) on state aid control). Furthermore, the market can identify more cheaply and efficiently those innovations for which a demand may develop later. The Commission does not address these issues; however, announcing a desire to achieve “breakthrough” innovations makes it clear that it wishes to go beyond basic research to promote also applied research and concrete innovation. Moreover, “breakthrough” innovation cannot be planned – especially not by setting a deadline.

The planned abolition of environmentally harmful subsidies is appropriate, for these undermine the Commission’s original objective to preserve resources and with that the environment.

The requirement to reduce greenhouse gas emissions in the transport sector by 1 % per year increases unnecessarily the costs of climate protection, as the reduction of greenhouse gas emissions in other sectors would be significantly cheaper. Therefore, the EU should set a total greenhouse gas emission reduction target for the overall economy and leave it to the markets’ discretion to decide in which sectors a reduction can be achieved at the lowest costs possible. With the European trading system for emission rights (EU ETS) the EU already employs an instrument with which a politically prescribed reduction in emissions can be efficiently achieved. To date, of the various modes of transport only the electric railway system – and as of 2012 air traffic – has been included in the EU ETS. The Commission should expand the EU ETS to include all modes of transport.

Impact on Growth and Employment

The measures for resource efficiency have a negative impact on growth and employment, for they lead to an increase in resource prices and thus to an increase in production costs.

Impact on Europe as a Business Location

As production standards, several of the proposed measures raise the costs of resource consumption only in the EU, whereby the quality of Europe as a business location is reduced. This applies, for instance, to the plans for an environmentally friendly public procurement [s. [CEP Policy Brief](#) on green public procurement; COM(2008) 400]. Other measures – in the form of product standards – apply to all products sold in the EU, irrespective of their production site, and therefore have no impact on the quality of Europe as a business location. This also applies to product requirements on the basis of the Ecodesign Directive.

Legal Assessment

Legislative Competency

Unproblematic. The EU is empowered to take action in order to protect the environment, in particular where actions for a “prudent and rational utilisation of natural resources” (Art. 191 (1) TFEU) are concerned. In addition, with the entry into force of the Lisbon Treaty in 1 December 2009, the EU has the explicit power to promote energy efficiency and energy savings (Art. 194 (1) TFEU).

Subsidiarity

Currently not assessable.

Proportionality

Currently not assessable.

Compatibility with EU Law

Currently not assessable.

Compatibility with German Law

Currently not assessable.

Conclusion

The Commission should not put forward blanket regulations for resource efficiency but should instead only focus on those areas in which resource use engenders damage to third parties and where consumers or companies do not have sufficient incentives to reduce energy consumption. Besides, it should not prescribe binding planned economy efficiency targets, as this would push the economic efficiency of resource savings into the background. The Ecodesign Directive should not be expanded, as it interferes massively with the production process without even knowing if the use of resources during production is environmentally harmful. The planned abolition of environmentally harmful subsidies is appropriate and also necessary in order to preserve resources and the environment.