

EU STRATEGY FOR SUSTAINABLE DEVELOPMENT

Preliminary UNICE comments on the Commission consultation paper SEC(2001)517

INTRODUCTION

UNICE notes the Commission consultation paper on the EU strategy for sustainable development, and takes the Brundtland definition of sustainable development ("*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*") as a starting reference for this contribution.

This paper sets out some general comments on the Commission paper, and outlines UNICE's position on two of the thematic priorities. Other UNICE policy papers on topics raised in this consultation paper (for example on sustainability of pensions) will follow in due course.

1. GENERAL COMMENTS

UNICE welcomes the broadening of the EU debate on sustainable development, to reflect the intrinsic relationships between the economic, social and environmental aspects of the debate on sustainable development.

Technological progress has enormously increased our material wealth and improved our quality of life. Moreover, technology can help us to meet the challenge of potential environmental threats and to progress towards decoupling of economic growth from resource use. It is therefore essential that any EU sustainable development strategy encourages innovation by companies.

The Commission has opened a debate on a limited number of themes, which are:

- climate change and clean energy;
- public health;
- management of natural resources;
- poverty and social exclusion;
- ageing and demography;
- mobility, land use and territorial development.

Consideration of these six themes is useful to help advance policy thinking on:

- making the general concept of sustainable development operational;
- the policies required to move towards the goal of sustainable development, and their interaction.

However, these themes tend to place emphasis above all on two of the three pillars of sustainable development, i.e. the ecological and social pillars. It is essential that the debate also embraces a strengthening of the economic pillar, which is indispensable to help

companies strengthen the already large contribution they make to sustainable development. In particular, this presupposes promotion of efficient, open and competitive markets. All themes should therefore be approached with respect to economic criteria too.

In addition, enlargement, being connected to all the other themes, could be considered to be one theme and not only as an aspect under the theme of mobility, land use and territorial development.

In terms of defining the policy toolkit, a well-functioning market economy has the central role, in order to minimise the costs and maximise the opportunities of adjusting to sustainable development. Any policy tools should be constructed and used in a way that ensures a level playing-field in relation to markets and competition, and does not raise distortions of international trade and competitiveness. For example, the internalisation of external costs is effective only if introduced globally.

A leading principle should be that when policy instruments are used, they should be chosen on the basis of the issue in question. For instance, careful analysis is needed of where harmonisation is needed, where open coordination is the appropriate method, or where national approaches are the best way.

An integrated approach requires close co-operation between different policy fields. Working methods both at the EU level and at the national level have therefore to be evaluated and developed from the point of view of the new horizontal themes and challenges. The starting point should be that cooperation between different policy fields and sectors should be intensified, without rushing to create new fora for sustainable development.

The increasing dialogue and involvement of citizens should not lead to diminishing the role of business and industry. On the contrary, the role of economic actors should be strengthened in the dialogue in order to guarantee the commitment to and the implementation of the policies. This would also be in line with the conclusions of the 1992 Rio Conference and the 5th and 6th European Environmental Action Plans, which emphasised the role and responsibilities of actors themselves to work for sustainable development.

According to the spirit of Rio, the EU strategy should strive for encouraging actors to take voluntary measures and initiatives for sustainable development. In addition, cooperation is needed between different actors, such as producers, suppliers, retailers and consumers, following the principle of shared responsibility.

The consultation paper by the Commission is the first effort to evaluate sustainable development as a totality. This means that there is still a lot to do to clarify this wider concept. The main aim for the Gothenburg Summit should be to clarify the wider concept of sustainable development, and to evaluate the ongoing processes in the EU in order to avoid too many and overlapping processes.

2. CLIMATE CHANGE AND CLEAN ENERGY

Climate change is perhaps the ultimate sustainability issue.

The current EU climate change strategy and the Commission consultation document focus to a large extent on how to meet the commitments defined for the first Kyoto budget period.

This focus on implementation of the Kyoto protocol is understandable given that Kyoto is an important first step in developing an international response to climate change. It is essential that a way is found to include key global players such as the USA in this response. This is the only way the issue of climate change can be tackled effectively, since the EU contributes

only some 14% of global greenhouse gas emissions, and only agreement at global level will be effective in tackling this truly global issue.

That said, it is equally important that work begins soon on what should happen after the Kyoto timeframe, given that the challenges and responses to climate change will stretch over the far longer term.

UNICE urges the Commission to ensure that its communication on EU strategy for sustainable development promotes the emergence of a long-term vision of how climate change can be tackled by marshalling the Community's social, economic and environmental resources in an effective and integrated manner.

What is needed is a strategic approach for how consumers can be made aware and motivated, and how a supportive business-friendly context can be established that will encourage the companies that are already acting in a responsible way, and to engage the companies that are not yet acting so they see advantages in following these leads.

Targets and timetables remain important, but must not hinder the strategic thinking needed for the whole of society to consider and 'buy in' to the change of direction needed. Fuel price and availability concerns last summer show that this will be a significant democratic challenge, which will require political leadership at the top level.

The consultation document falls into the trap of seeing market signals purely in terms of the cost of energy and the opportunity to apply energy taxes. We understand the Commission is committed to its own proposals, but what is needed is a broader engaged debate on how best to use the market to encourage consumer choice and motivate business and industry.

UNICE has set out in its contribution to the global assessment of the environmental action programme how it considers proposals for market instruments should be evaluated for their environmental and market impacts and effectiveness, and economic efficiencies. Market instruments need to be cost-effective and efficient, flexible, transparent to the customer, equitable and avoiding market distortions, and used at the appropriate level, so respecting the principle of subsidiarity. UNICE is ready for this debate that has become especially relevant to the climate change issue.

But, market instruments are only one of a series of policies and measures that will be needed to address climate change. An effective strategy will need to use most of the options available to policy makers. Standards and targets will have an important part to play, and are best set by agreement with the appropriate stakeholders. Agreements will have the essential character of motivating business and industry, which will be a crucial element of the Community strategy to tackle climate change in the longer term.

Technological solutions will have an important part to play in tackling climate change, especially in the long term. This is an area where the EU has particular responsibility to encourage and mobilise resources, focusing on the most promising opportunities. Again, business and industry is engaged and ready to play a full part in such an effort.

3. MOBILITY, LAND USE AND TERRITORIAL DEVELOPMENT

3.1 *Introductory comments – considerations on the theoretical concepts underlying the consultation document*

The question of mobility, land use and territorial development requires initiatives which are balanced and well coordinated from the economic, environmental and societal angles, notably because of:

- the important role played by transport and logistics in maintenance of European companies' international competitiveness. Europe suffers from a serious handicap as compared with the USA in terms of total logistics costs which represent 12% of GDP in Europe against 10% in the USA;
- the significant impact of transport on the environment;
- the key role that some policies for societal development (territorial development, urban planning schemes, etc.) exert on flows of persons and goods.

A recurrent theme throughout the consultation document is that:

- market prices for products, resources and services are often largely responsible for the unsustainable trends observed;
- public action aimed at "getting the prices right" constitutes a powerful remedy for correcting these unsustainable trends.

The possibilities envisaged by the Commission for influencing prices in the transport sector are of two types:

- a) transport infrastructure charging;
- b) charging for external costs (linked to the environment).

Regarding the coverage of infrastructure costs, UNICE considers¹ that application of principles such as those advocated in the High Level Group Report on infrastructure charging is theoretically appropriate, but that any concrete measure must be adapted not only to the theoretical framework but also to cut-throat global competition and industrial structural change.

The concept of "getting the prices right" through internalisation of external costs can be defended on a purely theoretical level, but there are very serious concerns about:

- its practical implementation (particularly because of uncertainty about the real level of external costs and concerns in the light of a competitive international environment);
- its efficiency. The academic approach aimed at reflecting external costs in transport prices via taxation scores very poorly in terms of environmental effectiveness and economic efficiency. It is much more effective to develop more targeted measures, for instance:
 - drafting more stringent emission standards, in liaison with industry, and encouraging industry's efforts to innovate and invest to meet these standards;
 - encouraging technological progress in other relevant areas (telematics, materials technologies, etc.);
 - reactivating investment in infrastructures;
 - promoting interoperability of networks;
 - injecting greater managerial and commercial dynamism into rail by further opening this sector to competition².

3.2 *Practical comments on use of the price mechanism (goods transport, congestion)*

UNICE has very serious reservations about the view that the current pricing structures are causing the "unbalanced pattern of transport activity" and that more active intervention on transport prices (cf. quoted green paper COM 95-691 "Towards fair and efficient pricing in transport") could easily bring about major progress in the goods sector, especially if making road transport more expensive were to be considered.

¹ UNICE positions on the High Level Group Report on transport infrastructure charging (17 June 1998)

² See in particular "UNICE opinion on the green paper in preparation at the Commission on internalisation of the external costs of transport" (15 November 1995) and UNICE Manifesto "Breakthrough in goods transport by rail in Europe is essential" (July 2000)

Price is far from being the only factor that transport users take into consideration when they choose a mode of transport. The aspects of punctuality and quality of service also play an extremely important role in these choices and therefore in the use made of the various infrastructures available.

The fact that the utilisation rate of some infrastructures (rail, for instance) is not optimal may also result from insufficiently sophisticated management of these infrastructures. Work involving rail operators and users in the Netherlands has shown that a more creative dialogue between the two parties, together with the use of innovative scheduling models, could increase utilisation of the rail infrastructure by 30 to 40% (with the current state of the art).

If the introduction of additional taxes or differentiated rates (as proposed in green paper COM 95-691) results in an overall increase in the cost of road transport, there is every reason to fear a general increase in the prices of non-road transport, bearing in mind the monopolistic or oligopolistic structures of the sectors concerned.

That would mean a move in the direction of a general increase in the logistics costs of European companies and a further deterioration in their competitive position. It is important to recall that the share of logistics costs in the final cost of products can vary from less than 0.5% to more than 35/40% depending on the level of added value.

Finally, the reference to green paper COM(95)691 suggests that the introduction of congestion charges could be seen by the Commission as a key instrument to tackle congestion.

UNICE also has serious doubts about such an approach, in particular in view of the fundamental causes of the congestion problem (lack of investment, for decades, in existing and new infrastructures; insufficient liberalisation of public transport and rail freight transport, etc). Moreover, congestion pricing raises many issues and unresolved questions, as highlighted by a report (August 1999) of the German Scientific Advisory Committee to the German Minister for Transport. An assumption underlying the concept of congestion pricing is that there is an alternative (quality or quantity), but this is not the case in many segments of the market (i.e. regional freight transport, cross border freight). Furthermore, the fact that congestion charges are increasingly regarded as an instrument to finance general public expenditures (and not transport infrastructure) is problematic.
