



12 February 2009

PRIORITIES IN EU ENVIRONMENTAL POLICY

MEETING BETWEEN KARL FALKENBERG, DIRECTOR GENERAL OF DG ENVIRONMENT, AND PHILIPPE DE BUCK, DIRECTOR GENERAL OF BUSINESSEUROPE (12 FEBRUARY 2009)

1. Consequences of the economic crisis for EU policy development and implementation

On 11 February 2009 the Commission examined an information note prepared by Vice-President Verheugen concerning the impact of the economic crisis on key sectors of European industry. This note, containing the latest data (November 2008) for manufacturing industries, shows output to have been 8.2% lower than a year earlier. It states that the EU might be faced with further dramatic developments in 2009, in a situation already severe by historical standards. Over one year, output has fallen by 15% for basic metals and by 20% for motor vehicles.

The initiatives taken by the Commission to stimulate concerted development of national recovery plans are essential. However, it is of the utmost importance that the Commission deploys all the means within its sphere of competence to underpin the competitiveness of companies with a view to combating the crisis. In the area of environment policy, this means in particular that policy-makers must:

- scrutinise how implementation of EU measures already decided can be adjusted to reduce cost burdens on companies;
- place at a very high level considerations relating to the competitiveness of European industry when developing new initiatives.

It is important to bear in mind that the economic crisis has not only a short-term dimension, but is likely to have structural effects on industry which will be felt in the longer term.

2. Climate and energy policies

a. EU climate and energy package

BUSINESSEUROPE has supported a well designed implementation of the EU's 20/20/20 objectives. We appreciate the enormous political effort the European Commission with Commissioner Dimas made to secure an agreement on the EU



climate and energy package in December 2008. In the co-decision procedure throughout 2008 the legislative texts have been improved overall. However, as a consequence of the adopted legislation, companies and especially SMEs will still struggle with yet higher prices of energy and CO₂ compared with global competitors.

Looking forward, the most important concern is the investment uncertainty for companies included in the Emission Trading Scheme as crucial details of the revised ETS Directive still remain to be decided. BUSINESSEUROPE insists that industry and in particular the industrial sectors concerned are closely involved in the process for determining:

- sectors and sub-sectors exposed to “a significant risk of carbon leakage”
- benchmarks for deciding the amount of free allocation to individual installations.

BUSINESSEUROPE is currently working on a paper commenting on these two exercises. In determining benchmarks, the Commission should bear in mind the difficulties in some industries of further reducing emissions cost-efficiently, especially given the deteriorating investment conditions for companies.

b. International climate change negotiations

2009 is a crucial year for advancing the international climate negotiations with a view to reaching an international agreement at the December Copenhagen conference.

BUSINESSEUROPE has noted with interest the detailed proposals made by the Commission in its communication “Towards a comprehensive climate change agreement in Copenhagen”. It will be crucial to ensure equally strong commitments from global partners, in particular the USA, in the coming months.

BUSINESSEUROPE will strive to be proactive to stimulate the search for solutions within the global business community. On 17 and 18 February we are co-organising a Roundtable in Copenhagen, where the world’s major business federations are invited to discuss the way forward to an international climate agreement.

BUSINESSEUROPE has also recently published the brochure “Combating climate change” which proposes four key principles to guide the international climate change negotiations:

- i. Mobilise all major economies to reduce emissions as soon as possible
- ii. Establish a level playing field for industry throughout the world
- iii. Strengthen global market mechanisms to reduce emissions
- iv. Ensure all cost-efficient climate technologies are deployed and developed

3. Revision of the IPPC directive (Integrated Pollution Prevention and Control)

The current IPPC directive forms part of a sustainable development framework implementing an integrated and ongoing environmental protection policy while ensuring that this is done under acceptable economic conditions. European industry is



favourable to this approach and has been participating for many years in implementation of the directive, notably throughout the elaboration of the reference documents on best available techniques ('BREFs'). Therefore, we question whether the directive must be revised and, if so, to what extent. The revision should not upset the functioning of a well established system.

One major element of the Commission proposal is to strengthen the principle of the application of Best Available Techniques (BATs) in individual installations through the setting of BAT-focused permit conditions. BUSINESSEUROPE is concerned that this jeopardises to a certain extent the integrated approach to environmental protection and the principle of flexibility. It is, in our opinion, important to preserve an acceptable degree of flexibility in order to take account of the local conditions (technical characteristics of installations, local geographical and environmental conditions), the need for trade-off solutions to optimise the environmental impact of the installation and the economic costs.

4. Air quality

a. Discussions on emission trading for NO_x and SO₂

On 4 May 2007 the Commission organised a consultation on the option of introducing a NO_x and SO₂ cap and trade system that could possibly be introduced alongside the IPPC (Integrated Pollution Prevention and Control) process. The overwhelming majority (quasi unanimity) of stakeholders objected very strongly to the introduction of such a mechanism. This dossier is a typical example of a policy option which the Commission needs to reassess seriously in light of the short- and long-term consequences that the current economic crisis will have for industry. BUSINESSEUROPE has noted that a study contract has been awarded to the ENTEC consultancy to assess the environmental, economic and social impacts of various possible designs of an emission trading system. BUSINESSEUROPE hopes to be able to contribute to this policy debate. We would like in particular to participate in the meeting which is planned for end-March to discuss the study to be carried out by ENTEC.

b. Revision of the National Emissions Ceilings (NEC) directive

BUSINESSEUROPE insists that new national emissions ceilings must be realistic and based on a thorough impact assessment, which weighs the costs against the benefits. With the upcoming directive proposal, industry should not be forced by governments to take additional measures which go beyond the existing IPPC system of BAT-based emission limit values, as a consequence of insufficient attention paid to effective effort-sharing between industrial and non-industrial sectors. While the directive does not specifically require abatement efforts from industry or other sectors, the projected impacts for industry must be deeply documented in the impact assessment.



5. Sustainable Consumption and Production (SCP)

Energy efficiency is the “fairest” low-carbon policy measure as it reconciles the three pillars environmental protection, energy security and competitiveness issues. Studies have shown that the most cost-efficient opportunities for emission reductions today are energy efficiency investments in the residential sector. This potential must be exploited with various ongoing EU policy initiatives, notably in policies aimed at stimulating the market for “green” products.

In the short-term, the Commission proposal to extend the scope of the eco-design directive and the energy-labelling directive from ‘*energy-using products*’ to ‘*energy-related products*’, is a coherent step to further improve energy efficiency, provided there is an effective dialogue with sectors concerned on costs and benefits. BUSINESSEUROPE insists that its scope should not be extended to all manufactured products, as has been proposed by some MEPs in the current legislative process. Careful attention should also be given to other legislation that already exists in order to avoid double regulation¹.

In the long term, BUSINESSEUROPE calls for the Commission:

- to make energy efficiency a top priority also in the new political cycle.
- to ensure a wide and in-depth reflection and consultation of stakeholders on the way EU should further develop its policy on labelling of energy efficient and eco-efficient products.

¹ This is particularly pertinent in view of the REACH regulation on chemicals and the construction sector where specific product regulations already exist.