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Subject: Greening the European Semester
- Exchange of views

1. On 13 November 2013 the Commission presented its Communication on the Annual Growth Survey (AGS) 2014 ¹. In this fourth "European Semester" of economic policy coordination, the Commission identifies again five economic and social priorities where national and EU efforts should concentrate, i.e. pursuing differentiated, growth-friendly fiscal consolidation, restoring normal lending to the economy, promoting growth and competitiveness for today and tomorrow, tackling unemployment and the social consequences of the crisis, and modernising public administration.

¹ 15803/13 + COR 1.

2. The Annual Growth Survey is being discussed at the EU level to prepare for the Spring European Council in March 2014. The AGS contributes to the preparation of the updated sets of national programmes and country-specific recommendations.
 3. In this context, the Presidency has prepared a background paper and three questions (in Annex), to guide the exchange of views at the Council (Environment) at its forthcoming meeting on 3 March 2014.
 4. The Committee of the Permanent Representatives is invited to take note of the Presidency's paper and questions as set out the in the Annex to this note and forward them to Council for the abovementioned exchange of views.
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Presidency's background paper with questions for Ministers**I. INTRODUCTION**

On 13 November 2013 the Commission presented the Annual Growth Survey (AGS) for 2014 , which marks the beginning of the 2014 European Semester process. The 20 December 2013 European Council Conclusions indicate the areas and policies deserving specific attention and priority ².

While the focus remains on dealing with the on-going economic crisis the actions to respond to the current challenges should be designed, whenever possible, as to simultaneously ensure delivery on the objectives of sustainable growth, greening the economy, and safeguarding natural capital, thus preserving the longer-term competitiveness of the EU. In this context the Environment Council can play a significant role.

This year's AGS acknowledges that "recovery in Europe does not mean getting back to 'business-as-usual' " and has identified, among others, the following priorities:

- Longer term investment in education, research, innovation, energy and climate action should be protected and the needs of the most vulnerable in our society should be catered for.
- Tax should be designed to be more growth-friendly, for instance by shifting the tax burden away from labour on to tax bases linked to consumption, property, and combatting pollution.
- Promoting resource efficiency by improving waste and water management, recycling and energy efficiency.

² EUCO 217/13, paragraph 25.

The AGS also mentions tackling environmentally harmful subsidies and the job potential of the greening of the economy. Critical steps into the right direction have been already made through the European Semester. Country Specific Recommendations in 2013 refer to environmental taxation (in 11 Member States), environmentally harmful subsidies (in 2 Member States), waste management (in 3 Member States) and water management (in 2 Member States). The Semester Commission staff working documents contain important messages on fiscal policy and taxation (reforming subsidies for fossil-fuels and company cars) as well as structural measures promoting growth and competitiveness, focussing on waste management, water pricing and infrastructure, eco-innovation, energy efficiency and air quality.

There is still a huge potential for improvement; the 2014 National Reform Programmes are a key opportunity. The following themes could be important in this respect.

First, in order to achieve **growth-friendly fiscal consolidation** we need to set concrete steps on shifting the tax burden from labour to e.g. environmental pollution and resource use and phasing out environmentally harmful subsidies, in particular fossil fuel subsidies, while taking into account their social and other impacts and ways to mitigate them.

Secondly, **restoring normal lending to the economy** is critical, in particular to support sectors and innovative activities, which are key to the greening of the economy and can become sources of future growth, but may face barriers to find financing even without the restrictions resulting from the crisis. Initiatives to leverage private investment in resource efficiency and low carbon investments should be more widely promoted in the Member States.

As regards promoting **growth and competitiveness for today and tomorrow**, priority should be given to actions which contribute to boosting economic output and employment creation, while bringing longer term benefits by safeguarding the environment, the natural capital, and improving health and overall quality of life, thus maximising the coherence and overall efficiency of public policy. Concrete possibilities include promoting a resource efficient and circular economy; investing more in waste and water management; setting the right price signals; introducing producer responsibility schemes; stepping up advice and support to SMEs; realising the potential of eco-innovation; taking into account the costs of floods in relation to the costs of prevention; tackling the productivity costs (e.g. lost work days) of air pollution.

Tackling unemployment and the social consequences of the crisis implies integrating more people into the labour market through green jobs creation; using the potential of waste and water management to generate new jobs; addressing skill gaps which prevent innovation.

Finally, there is also a great potential for improving the capacity of the **public administration** to integrate resource efficiency in a wider spectrum of policies, inter alia via improved impact assessments addressing economic, social and environmental costs and benefits; green procurement; utilising better the EU funds to promote the transition to a resource efficient economy; improving the business environment by streamlining permitting procedures while complying with environmental standards; promoting a single market for green products.

II. QUESTIONS FOR THE DEBATE

In the light of this year's European Semester exercise and in the overall Europe 2020 context, and with a view to contribute to the European Council in March 2014 and to encourage an exchange of views on the priorities for updating the National Reform Programmes of the Member States, the Presidency invites the Council (Environment) on 3 March 2014 to address the following questions:

1. *In light of the Annual Growth Survey 2014, what do you see as main bottlenecks to the achievement of the Europe 2020 resource efficiency and low-carbon objectives?*
2. *In your view, which measures, at national level, in the field of resource efficiency and climate action have the biggest potential to contribute to sustainable growth and job creation, while addressing existing environmental challenges, and could be integrated, as relevant, in the National Reform Programmes 2014?*
3. *How could the role/involvement of Environment Ministers be strengthened in the various phases of the European semester cycle?*

