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Subject: Greening the European Semester: Communication from the Commission
"Annual Growth Survey 2015"
- Exchange of views

1. On 28 November 2014 the Commission presented its Communication on the Annual Growth Survey (AGS) 2015 ¹. In this Survey the Commission outlines the main features of its new jobs and growth agenda and sets out what more can be done at EU level to help Member States return to higher growth levels and make progress towards sustainable development. Three main pillars are recommended for the EU's economic and social policy in 2015 namely (1) a coordinated boost to investment; (2) a renewed commitment to structural reforms and (3) pursuing fiscal responsibility.

¹ Doc. 15985/14.

2. The Annual Growth Survey will be discussed at the EU level to prepare for the Spring European Council in March 2015. In this context, the Presidency has prepared a background paper and two questions (in Annex), to guide the exchange of views at the Council (Environment) at its forthcoming session on 6 March 2015.

 3. The Committee of Permanent Representatives is invited to take note of the questions drafted by the Presidency and contained in paragraph III of the Annex 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**

In the context of European semester and the mid-term review of the Europe 2020 Strategy, the Latvian Presidency is planning to hold policy debates in various Council formations (ECOFIN, EPSCO, Competitiveness, Energy, Transport, Telecom and Environment Councils) as part of a broader debate on the policies and relevant initiatives (i.e. Investment Plan for Europe, Energy Union, Digital Single Market Strategy, Single Market and Industrial Policy). These policy debates will touch upon issues such as governance, implementation, investments and paying special attention to digital aspects. Discussions will be summarized in a joint synthesis report to the March **General Affairs Council** with a view to the March **European Council**.

In addition, the Presidency intends to discuss and to aim for adoption during the Latvian Presidency of the Council recommendation on broad guidelines for the economic policies of the Member States and of the Union and a Council Decision on guidelines for the employment policies of the Member States. These guidelines will advise the policies for the coming years and are closely linked to the priorities that will be defined in the context of the review of the Europe 2020 Strategy. The current Council **Recommendation 2010/410/EU** of 13 July 2010 on broad guidelines for the economic policies of the Member States and of the Union include Guideline 5: Improving resource efficiency and reducing greenhouse gases (see Annex 2). Article 26 (3) of the Treaty on the Functioning of the European Union has foreseen this mechanism in order to ensure balanced progress in all sectors concerned. It is important to ensure, that this aim is achieved, thereby contributing to sustainable development.

The Commission presented the **Annual Growth Survey (AGS) 2015** on 28 November 2014. It sets out what can be included by Member States in the 2015 National Reform Programmes to make progress towards sustainable development. It states that pressure on resources and environmental concerns are among the main long-term trends affecting the EU. It stresses the potential of environmental tax reform, i.e. a tax shift away from labour to the environment, the need for better waste recycling and water treatment facilities, reducing traffic congestion (relevant for air quality), and the need for a skilled work force in growing sectors such as green sectors. It also states, that digital technology introduces new ways of producing goods and delivering services thereby, reshaping the way we work and learn. Being well positioned in the digital economy will determine the EU's future competitiveness and pathway to renewed growth, taking into account that digital services are vital for the efficiency and security of Europe's key strategic infrastructures.

The **Environment Council** of **28 October 2014** concluded ², among others, that the Commission should explore how to **better integrate resource efficiency in the EU 2020 Strategy**, including through the introduction of an EU non-binding aspirational target, and that the inclusion of the circular economy principles and the potential for green employment in the annual cycle of coordination of economic policies should be promoted. The Conclusions underlined that circular economy and resource efficiency and their potential in terms of increased growth and employment opportunities should be taken in due consideration in the European Semester. In addition, the **Environment Council** concluded that improving the governance process of the Europe 2020 Strategy requires a strengthened role of the Environment Ministers.

The Council conclusions also called for the further development of a more refined measurement framework, including a commonly accepted methodology to better measure progress towards resource efficiency at national level, as well as on developing a system of valuation of natural resources, and biodiversity and the ecosystem services they provide.

² Doc. 14731/14.

The Decision of the European Parliament and of the Council on a General Union Environment Action Programme to 2020 "Living well, within the limits of our planet" (7th EAP)³ requires the EU and its Member States to integrate environmental and climate-related considerations into the European Semester, to monitor the implementation of the relevant elements of the 7th EAP as part of it, and assess the appropriateness of the inclusion of a lead indicator and target in this process.

In the **December 2014 Environment Council**, Ministers reaffirmed their strong support for continuing the work towards a resource efficient and circular economy in Europe. The summary of the discussions on the Europe 2020 Strategy review presented to the December **General Affairs Council** underlined that better balance needed to be achieved between the economic, environmental and social dimension of sustainable development.

II. GREENING THE EUROPEAN SEMESTER 2015

The March 2015 **Environment Council** is a good occasion, to discuss progress on these ambitions and the way forward.

It is time to make progress. The Presidency notes that the case for a transition to a resource efficient and circular economy is receiving support across all policy sectors and stakeholders. The next steps should be considered, including the **governance** of this transition to make sure that actions at European and national level all contribute to the objective. It will be important to tap the full potential of **synergies** between environmental policies and policies in other fields, and to discuss experiences, challenges and obstacles. It is clear that there will not be a one-size-fits-all approach and that successful transitions will need to be supported by EU initiatives which take into account the specificities of each country to ensure common standards and a level playing field⁴. In this respect it is relevant to analyse which economic sectors will profit most from the transition and which sectors would face the challenge to develop new and more sustainable business cases.

³ OJ L 354/171 of 28 December 2013.

⁴ See also State of the Environment Report 2015 – Megatrend 11: Diversifying governance.

The Presidency is convinced that transition to the circular economy will profit from synergies with actions under the forthcoming EU's **Digital Single Market (DSM) Strategy**. The DSM has six priority strands that could contribute to progress on the environmental agenda. The priority strands are: building trust and confidence, removing restrictions, ensuring access and connectivity, building the digital economy, promoting e-society and digital innovation and research. Information and industrial technologies are now increasingly coming online or are being deployed at scales which can support closing reverse loops whereby waste becomes a resource and comes back into the production cycle. These digital advances can allow better tracking of materials (e.g. critical raw materials), more efficient collaboration and knowledge sharing about products and their material content, and improved forward and reverse logistics setups (i.e. initial product design and material innovation joined up with subsequent processing of secondary material streams). The constantly improving ability to collect data and analyse them, often mentioned under the umbrella term of "Big Data technologies", is seen as very promising in terms of reduction of systemic waste.

The convergence of the physical and the virtual worlds provides end-to-end transparency in real time, allowing early verification of design decisions in the area of engineering. It also allows more flexible responses to disruption and a global optimisation across all of a company's sites in the area of production. Production phases can be continuously optimised in terms of resource and energy consumption or reducing emissions. Advanced tracking and treatment technologies boost the efficiency of forward and reverse logistics and could significantly improve control of waste flows and help maximize the recovery of these valuable materials. Examples of synergies between the digital agenda and the circular economy are provided in Annex 1.

III. QUESTIONS FOR DISCUSSION

In order to facilitate the debate, the Presidency proposes to focus on the following **questions for discussion**:

1. *In light of the October 2014 Council conclusions on "Greening the European Semester and the Europe 2020 Strategy", is the AGS 2015 setting the right framework to ensure that future growth and competitiveness will be sustainable and resource efficient, along the principles of the circular economy?*

How can European Union and member states tap the full potential of synergies between environmental policy and other policy fields, in particular economic and social policy, to move towards the resource efficient, circular and low carbon economy?

2. *The forthcoming Digital Single Market (DSM) Strategy will bring forward policy started under the Flagship Initiative "Digital Agenda for Europe". Further synergies could be developed for green growth and green jobs between the DSM Strategy and the resource efficiency agenda under the Europe 2020 Strategy and the 7th EAP. Where could synergies be developed to promote green jobs, greater resource efficiency and the objectives of the circular economy?*

Examples of possible synergies of the circular economy and the forthcoming Digital Single Market (DSM) Strategy:

1. Meeting individual customer requirements: It allows individual, customer-specific criteria to be included in the design, configuration, ordering, planning, manufacture and operation phases and enables last-minute changes to be incorporated. It will be possible to manufacture one-off items and have very low production volumes (batch size of 1) whilst still making a profit.
2. Flexibility: CPS-based (Cyber-Physical Systems) ad hoc networking enables dynamic configuration of different aspects of business processes, such as quality, time, risk, robustness, price and eco-friendliness. The engineering processes can be made more agile, manufacturing processes can be changed, temporary shortages (e.g. due to supply issues) can be compensated for and huge increases in output can be achieved in a short space of time.
3. Optimised decision-taking: In order to succeed in a global market, it is becoming critical to be able to take the right decisions, often at very short notice. It provides end-to-end transparency in real time, allowing early verification of design decisions in the sphere of engineering as well as both more flexible responses to disruption and global optimisation across all of a company's sites in the sphere of production.
4. Resource productivity and efficiency: CPS allows manufacturing processes to be optimised on a case-by-case basis across the entire value network. Moreover, rather than having to stop production, systems can be continuously optimised during production in terms of their resource and energy consumption or reducing their emissions.

5. Creating value opportunities through new services: The opportunities of the '4th industrial revolution' open up new ways of creating value and new forms of employment, for example, through downstream services. Smart algorithms can be applied to the large quantities of diverse data (big data) recorded by smart devices in order to provide innovative services. There are particularly significant opportunities for Small and Medium Enterprises (SMEs) and start-ups to develop B2B (business-to-business) services.

6. Further implementing and promoting the Infrastructure for Spatial Information in the EU (INSPIRE) Directive, an existing instrument which can be linked to the Digital Single Market (and is currently the subject of a European Commission's Regulatory Fitness and Performance programme (REFIT)). The benefits of it are appreciated by a wide range of public authorities in the Member States and economic operators generating cutting-edge technologies, as it facilitates the delivery of efficient e-Government services and a range of public-private-partnerships for delivering societal benefits, mainly in form of re-use (multiple use) of the government or privately owned spatial data for more efficient decision making. An increasing number of policy and legal initiatives in other connected policy areas, e.g. such as maritime spatial planning, intelligent transport systems, security, agriculture, health and so on refers to and makes practical use of the INSPIRE.

7. Invest in improving environmental inspections using more digital tools based on INSPIRE and by using online citizens' support. Deploy more advanced monitoring technologies, including infrared cameras, shifting of reporting to electronic systems, and using the web to make data as much as possible available to the general public. In the future, social media may be used for greater outreach, including two-way communication, crowdsourcing, and collaborative drafting of legislation. Mobile devices have significant potential. Overall, new Geographical Information Systems (GIS) tools may bring about significant changes in environmental law itself: spatial analysis will enable the type of holistic analysis which environmental impact assessment laws are intended to produce, more sophisticated trading-based schemes for land-use change and mitigation, and a more dynamic process of multilevel governance⁵. The digitalisation also has a spill over effect on multiple environmental stakeholders, in particular SMEs, public authorities and citizens. For example, digitalizing ensures up-to-date environmental data for investments-related decisions (e.g. meteorological or land-use data) as well as growth and jobs in Information and Communication Technologies (ICT) sector. Public authorities can profit from better knowledge-base for decision-making (e.g. in flood prevention, waste management, land-use planning, public health strategies etc.). There are multiple benefits for citizens, ranging from better consumption choices (e.g. tourism and access to meteorological data), health protection (e.g. air quality applications), to citizen role as guardians of environment (online transparency on legal compliance).
8. Waste and water management in cities can be made more efficient. For instance, ICT related "pay as you throw" scheme (with a chip in individual waste bins) can reduce amount of waste produced, and therefore waste transportation and treatment, hence saving energy and contributing to reducing road congestion. Likewise, ICT devices to spot water leakages in urban infrastructures can contribute to reducing water consumption, and hence energy consumption. With these examples, we remain at the intersection of the 3 sectors at the core of this European Innovation Partnership (EIP), and we make them deliver benefits on other resources.
9. Natural solutions such as green roofs and green facades can be made much more efficient by the use of tailored ICT driven management tools, for watering the plants, managing the heating and cooling systems.

⁵ See e.g. <http://ict4er.org/ict4er-2013/>.

10. Investing in SME support systems for resource efficiency ⁶:
 - Stimulate the use of existing software to measure progress per SME and aggregate it per region (i.e. the example of the European Regional Development Fund (ERDF) co-financed project www.enworks.com).
 - Support through online networks (e.g. by implementing the network proposed in the 2014 Communication on a Green Action Plan for SMEs).
11. Stimulate smart metering (households and SMEs).
12. Stimulate eco-design (e.g. digital design platforms, competition/awards).
13. Set target for paperless offices and meetings (saves costs, paper and other resources), and make video meetings the default.
14. Improve sustainability of logistics (reduce transport, reduce emissions to air, save costs).
15. Stimulate Eco Management and Audit Scheme (EMAS) systems (including software to detect and measure progress).
16. More online product information (e.g. based on analysis and experience in green public procurement programmes, make government knowledge available to businesses).
17. Elaborate existing digital techniques powered by the INSPIRE digital infrastructure becomes crucial, to not only warn for floods but also to prevent damage.
18. Use digital tools more for environmental awareness raising.

⁶ See new study (February 2015): Assessing the Potential Cost Savings and Resource Savings of Investments in 4 SME sectors, study for DG ENV, RPA. Report available from circa 06.02.2015 on http://ec.europa.eu/environment/integration/green_semester/studies_en.htm.

COUNCIL RECOMMENDATION of 13 July 2010 on broad guidelines for the economic policies of the Member States and of the Union
(2010/410/EU)

Guideline 5: Improving resource efficiency and reducing greenhouse gases

Member States and the Union should put measures in place to promote the decoupling of economic growth from resource use, turning environmental challenges into growth opportunities and making more efficient use of their natural resources, which also assists in preventing environmental degradation and ensuring biodiversity. They should implement the necessary structural reforms to be successful under increasing global carbon and resource constraints in creating new business and employment opportunities. The Union and Member States should make further efforts to speed up the creation of an integrated and fully functioning internal energy market to enable gas and electricity flows without bottlenecks. In order to reduce emissions and improve energy efficiency, Member States should make extensive use of market-based instruments, supporting the principle of internalisation of external costs, including taxation, and other effective support instruments in order to reduce emissions and better adapt to climate change, support sustainable growth and jobs and resource efficiency in a cost-effective manner, incentivise the use of renewable energy and low-carbon climate-resilient technologies, a shift to more environmentally-friendly and interconnected modes of transport and promote energy savings and eco-innovation. Member States should phase out environmentally harmful subsidies and ensure fair distribution of their costs and benefits.

Member States and the Union should use regulatory, non-regulatory and fiscal instruments, for example Union-wide energy performance standards for products and buildings, labelling, and ‘green procurement’, to incentivise cost-effective transition of production and consumption patterns, promote recycling, make the transition to energy- and resource- efficiency and a safe and sustainable low-carbon economy, and ensure progress towards more sustainable transport and safe and clean energy production while maximising European synergies in this respect and take into account the contribution of sustainable agriculture. Member States should decisively work towards smart, upgraded and fully interconnected transport and energy infrastructures, use Information and Communication Technologies, in line with guideline 4, to secure productivity gains, ensure coordinated implementation of infrastructure projects and support the development of open, competitive and integrated network markets.

The European Union headline target, on the basis of which Member States will set their national targets, is to reduce by 2020 greenhouse gas emissions by 20 % compared to 1990 levels; to increase the share of renewable energy sources in our final energy consumption to 20 %; and moving towards a 20 % increase in energy efficiency; the Union is committed to take a decision to move to a 30 % reduction by 2020 compared to 1990 levels as its conditional offer with a view to a global and comprehensive agreement for the period beyond 2012, provided that other developed countries commit themselves to comparable emission reductions and developing countries contribute adequately according to their responsibilities and respective capabilities.