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Subject: The European Semester / Annual Growth Survey 2016 and the contribution
of the environment and climate to growth and jobs

- Exchange of views

1. On 26 November 2015 the Commission presented its Communication on the Annual Growth Survey (AGS) 2016¹. In this sixth "European Semester" of economic policy coordination, the Commission finds that, for the EU as a whole, there is a moderate growth expected to accelerate gradually. It reflects, among others, effects of reforms implemented in the last few years. It encourages Member States to continue consolidation, pursue responsible fiscal policies and implementation of ambitious reforms.

¹ Doc. 14270/15.

2. In this context the Annual Growth Survey also refers to the mid-term review of the Europe 2020 strategy, acknowledging the useful role of the strategy. It served as a reference framework for activities at EU level, national and regional levels; targets have been set and reported in the context of the National Reform Programmes, Eurostat has regularly published comprehensive reports detailing the progress made ². However, the strategy is not sufficiently embraced by the Member States, so that deeper involvement on the ground is required.
3. To this end the Commission, in the context of the Semester, announces it will adjust the guidance to Member States on the preparation of their National Reform Programmes to make sure that the Europe 2020 strategy continues to play a prominent role. A process for developing a longer term vision going beyond the horizon of 2020, also in the light of the new Sustainable Development Goals agreed by the United Nations for 2030 and taking account of the lessons from the Europe 2020 mid-term review, will start in parallel.
4. 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 meeting on 4 March 2016.
5. 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.

² Smarter, greener, more inclusive indicators to support the Europe 2020 strategy, Eurostat 2015.

Presidency's background paper with questions for Ministers**I. INTRODUCTION**

With regard to the European Semester process and with reference to the AGS 2016, the Netherlands Presidency will hold policy debates in various Council formations (General Affairs Council, ECOFIN, EPSCO, Competitiveness, Education, and Environment Council) as part of a broader debate on the policies and relevant initiatives.

The Commission presented the Annual Growth Survey (AGS) 2016 on 26 November 2015. In summary; the economic and social priorities of the 2015 Annual Growth Survey remain valid, but policy efforts need to be strengthened to set the recovery on a sustainable path, unlock investment, strengthen the adjustment capacity of EU Member States, foster productivity and accelerate the process of convergence. In this light, the Commission proposes to focus efforts on the three priorities for 2016 (1) re-launching investment, (2) pursuing structural reforms to modernise our economies and (3) responsible fiscal policies. Furthermore, the AGS states that Member State action is necessary to improve efficiency in the use of resources and bringing forward a much more circular economy.

II. PROGRESS UP TO NOW

The European Semester has regularly been discussed in the Environment Council as a means to advance sustainable and low-carbon development:

- “Green growth: greening the European Semester and the EU 2020 Strategy” was one of the key agenda items during the Informal Environment Council organized by the Italian Presidency in Milan. As a follow up the Environment Council of 28 October 2014 adopted conclusions on greening the European Semester ¹, stating 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.
- 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.
- In 2015 under the Latvian Presidency the European Semester discussion focussed on investments, paying special attention to digital aspects. The results were summarized in a joint synthesis report to the March General Affairs Council followed by the March 2015 European Council.

¹ Doc. 14731/14.

- Under the Luxembourg Presidency the European Semester discussion concentrated on the progress in phasing out (1) environmentally harmful subsidies and (2) the implementation of environmental policies and legislation. The results will be presented in the joint synthesis report to the General Affairs Council with a view to the European Council in March 2016.

III. ISSUES FOR THE DISCUSSION

The European Semester is the annual cycle in which Member States coordinate their economic and budgetary policies. It provides insight in the most important economic and budgetary challenges on a country specific basis and provides recommendations and monitors their follow-up and implementation. A potential governance system for monitoring the follow up of environmental commitments of the Member States could reflect the architecture of the European Semester. In 2015 two important international events took place which will give an impulse to the greening of the European economy; the adoption of the Sustainable Development Goals in the frame work of the 2030 Agenda for Sustainable Development by the United Nations in New York (25-27 September 2015) and the COP21 in Paris marking a crucial point in global action on climate change by adopting a global, legally binding instrument, the Paris Agreement (12 December 2015). In 2015 two major initiatives were adopted by the Commission and presented to the Council and the European Parliament; the strategy for a European Energy Union (25 February 2015) and the Package on Circular Economy (2 December 2015). These initiatives intend also to contribute substantially to economic growth and jobs. In this context, the European Commission proposes a monitoring system to report on progress in implementing the action plan on circular economy five years after its adoption (possibly 2021). Monitoring and reporting are the first steps of an effective governance system. The annual procedure followed by the European Semester offers an example with regard to guidance, dialogue, exchange of good practice and steering.

The EU finances actions and programmes in Europe through a wide range of instruments, e.g. the Multiannual Financial Framework 2014-2020, aligned with the Europe 2020 Strategy towards smart, sustainable and inclusive growth. Also Member States will have to use their resources to facilitate the transition towards a circular and low carbon economy.

The European Commission announced in its Workprogramme for 2016 the initiative “Next steps for a sustainable European future”, which will set out a new approach to ensure Europe’s economic growth and social and environmental sustainability beyond the 2020 timeframe, taking into account the Europe 2020 review and the internal and external implementation of the United Nations Sustainable Development Goals.

The Netherlands Presidency would like the Environment Council to consider ways to integrate the 2030 agenda on sustainable and low carbon development, with attention for circular economy, into EU and national macroeconomic policy as means to contribute to the EU Semester objectives to create jobs and growth.

Questions for the Ministers:

1. *How best to integrate the 2030 Agenda on sustainable development and the transition towards a circular and low carbon economy into EU and national macroeconomic policy?*

2. *What will be the best set up for tracking progress, also in view of the forthcoming Commission initiatives on next steps for a sustainable European future?*
