



Council of the
European Union

Brussels, 19 February 2018
(OR. en)

6142/18

ENV 77
ECOFIN 102
UEM 31
SOC 48
EMPL 32
COMPET 69
EDUC 32
RECH 43
ENER 46
JAI 105

NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

No. Cion doc.: 14826/17 ECOFIN 1010 UEM 326 SOC 755 EMPL 575 COMPET 808
ENV 981 EDUC 431 RECH 380 ENER 469 JAI 1092 - COM(2017) 690
final

Subject: Greening the European Semester
= Exchange of views

1. On 22 November 2017, the Commission presented its Communication on the Annual Growth Survey (AGS) 2018 ¹. The AGS 2018 outlines the most pressing economic and social challenges on which the European Union and its Member States need to focus their attention in the coming months, and sets a number of policy recommendations and priorities in order to address those challenges.

¹ 14826/17 - COM(2017) 690 final.

2. In broad terms, the Commission considers that Europe's economy is strengthening beyond expectations in a changing policy context. The "virtuous triangle" of boosting investment, pursuing structural reforms and ensuring responsible fiscal policies is delivering results. This momentum provides the EU with an opportunity to enhance economic and social convergence. In this regard, efforts to implement the necessary structural reforms must continue, in particular as regards the sustainability of public finances and the reduction of debt ratios.
3. In addition, the Commission presented on 18 January 2018 a Communication on EU actions to improve environmental compliance and governance ², which aims at strengthening the mechanisms for securing environmental compliance at national, regional and local levels. It is conceived as a complement to the initiatives on Environmental Implementation Review (EIR) ³ and on EU law: Better results through better application ⁴ launched in 2017.

These complementary initiatives are expected to effectively contribute to the greening of the European Semester.

4. On the other hand, the Commission presented on 14 February 2018 a Communication on A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020 ⁵, as a contribution to the Informal Leaders' meeting on 23 February 2018.
5. In this context and in line with what was done in previous years, the Presidency has prepared a background paper and two questions (in the Annex), to guide the exchange of views on Greening the European Semester at the Council (Environment) at its forthcoming meeting on 5 March 2018.

² 5485/18 - COM(2018) 10 final + ADD 1.

³ 5967/17 + ADD 1 - COM(2017) 63 final.

⁴ OJEU C volume 60, 19.1.2017, p. 10.

⁵ 6229/18 - COM(2018) 98 final.

6. 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.

 7. The Presidency invites delegations to send written replies before the Council meeting.
-

Greening the European Semester

- Exchange of views -

Presidency background paper with questions for Ministers

Beyond Greening the Semester: Better environmental integration and implementation

1. Challenges to integrating environmental considerations into the European Semester process

The European Semester is the European Union's annual cycle of economic policy guidance and oversight. It is essentially a mechanism to coordinate the economic policies of all EU Member States and to address economic challenges.

So far, the focus of the Semester has been on economic policies for growth, jobs and investment. Key objectives are to contribute to ensuring convergence and stability in the EU, to contribute to ensuring sound public finances, to foster economic growth, and to prevent excessive macroeconomic imbalances in the EU.

The Semester also relates to monitoring the achievement of Europe 2020 Strategy targets, including targets on energy and climate change. Nevertheless, even if monitoring the Europe 2020 targets is one of the key objectives of the Semester, in practice the European Semester mostly looks at issues linked to growth and sustainable public finances, in the aftermath of the financial and economic crisis, while environmental aspects are given a limited priority.

In its Synthesis Report 2017 ¹ on the discussions and main political messages of the different Council configurations as a contribution to the European Council, the Presidency noted that Environment Ministers "*appreciated that the 2017 Annual Growth Survey contains some key environmental elements. In particular, it highlights the importance of sustainable and climate related investment and of supporting the transition towards a low-carbon and circular economy, which will also help to strengthen growth and job creation. However, some Ministers regretted that overall, the Survey still puts too little emphasis on environmental and sustainability aspects and leaves out a number of key instruments for sustainable development and green growth, including resource efficiency, green economy, green jobs, sustainable innovation, synergies between green and blue economy and green financing. In addition, Ministers emphasized the importance of the links with the Union's 7th Environment Action Programme (EAP), the Europe 2020 Strategy and the 2030 Agenda for Sustainable Development. A proper greening of the European Semester would be beneficial in terms of growth and jobs and contribute to effectively implementing the 2030 Agenda at EU level. The need to ensure complementarity of these processes, while avoiding duplication, was also underlined.*"

From this angle, the AGS 2018 represents an improvement in terms of resource efficiency, but continues to fail as regards the other environmental and sustainability aspects that Environment Ministers highlighted at the Council meeting on 28 February 2017.

In particular, it should be recalled that Article 4(1) 1st sentence of the 7th EAP states that "*The Commission shall ensure that the implementation of the relevant elements of the 7th EAP is monitored in the context of the regular monitoring process of the Europe 2020 Strategy.*"

¹ 6756/17.

European Semester timeline

07.03.18 Publication of the 28 country reports with a chapeau Communication

21-28.03.18 Bilateral meetings with Member States (based on the published country reports and drafting of the National Reform Programmes)

15.04.18 Member States to submit their National Reform programmes

23.05.18 Adoption and publication of the proposed Country Specific Recommendations with a chapeau Communication

28-29.06.18 European Council (discussion on the proposed CSRs)

July 18 ECOFIN Council (formal adoption of the CSRs)

The 2018 AGS was published on 22 November 2017 ² and acknowledges the political commitment of the Commission to the transition to a circular economy, which was first introduced in the 2016 AGS. Indeed, in the 2018 AGS (echoing the 2017 AGS) the circular economy is mentioned in the section on investment as one of the key areas in which investment can boost productivity and employment. The document furthermore emphasises that *“investment that enhances environmental sustainability has the potential to boost productivity across the economy through enhanced resource efficiency and reduced input costs, whilst reducing external costs and impacts”*. The specific areas identified by the survey are similar to those mentioned in the 2017 AGS, namely public procurement, investment in waste and water infrastructure, construction, critical raw materials, biofuels and biochemical. Unlike the 2017 AGS, energy and climate-related investment are not mentioned in this list (although they are referred to in another part of the document in a different context). In addition, the 2018 AGS makes the link between competitiveness and resource efficiency and mentions that *“competitiveness will be dependent on the ability to move towards more sustainability and resource-efficiency and the ability to exploit the advantages of digital technologies”*. Even though the above mentioned topics are not always reflected in all Semester country reports - and even less in country-specific recommendations - this deserves to be underlined.

² https://ec.europa.eu/info/publications/2018-european-semester-annual-growth-survey_en.

Both the European Semester mandate and goals may explain the limited visibility of environmental considerations, to the extent that it aims at identifying pressing risks to structural growth or for sustainable public finance. Moreover, a key challenge for improving the visibility of environmental topics relates to the availability of environmental statistics and indicators, knowing that those data would need to have macroeconomic relevance in order to be useful for the Semester and be available at the most convenient time with regard to the European Semester process.

Integrating further environmental sustainability with economic growth could be done by addressing green investment and infrastructure needs that are vital to our societies (e.g. with regard to waste facilities, to urban waste water treatment plants) so as to translate it into cost savings and new business model/job opportunities.

In its Communication to the Informal Leaders Meeting of 23 February 2018 on the post-2020 Multiannual Financial Framework (MFF) ³, the Commission proposes options and priorities - and their financial consequences - for a post-2020 MFF. While the proposed top priority is security and safety, the only environment-related priority topic that is mentioned in terms of financing is climate change. Apart from that, a "higher level of environmental and climate ambition" is mentioned under the future Common Agricultural Policy (CAP), sustainable development and the SDGs are mentioned under international goals and the Emissions Trading System (ETS) is listed under the MFF financing options. While climate action is highest on today's political agenda, the investment gaps for other sustainable development priorities — such as biodiversity, resource efficiency and the social economy — are equally significant; as is the urgent need to make the agricultural model environmentally sustainable ⁴.

Above it all, political support is needed to transform environmental challenges into sustainable economic opportunities and provide a better life to our fellow European citizens.

³ 6229/18 - COM(2018) 98 final - A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020.

⁴ Final Report 2018 by the High-Level Expert Group on Sustainable Finance (https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf).

2. The Environmental Implementation Review (EIR) as a complementary tool to the Greening of the European Semester

Against that background and willing to go beyond the European Semester's mandate, the Commission launched in 2016 the Environmental Implementation Review (EIR). It complements the European Semester by adding a strengthened environmental dimension, examining the fulfilment of EU environmental policy and legislation to improve their implementation.

The EIR and the greening of the European Semester are an opportunity to show that the environment is part of the solution to the economic and financial recovery and development, and conversely that our macroeconomic instruments can also act in support of environmental objectives. The EIR also contributes to the better regulation and implementation agenda and fulfills a commitment in the 7th Environmental Action Programme to focus more on implementation. Both the greening of the European Semester and the EIR contribute to the implementation of the Sustainable Development Goals (SDGs).

The first EIR package was adopted by the Commission in February 2017. It consisted of a Communication ⁵, which identified common challenges and suggested actions for improvement for all EU Member States, and 28 country reports mapping their specific strengths, opportunities and challenges regarding implementation, while focusing on essential topics in the area of environmental policy and law. For each Member State, successes and challenges have been identified, and a Peer 2 Peer tool has also been launched to support the exchange of good practices between Member States.

⁵ 5967/17 + ADD 1- COM(2017) 63 final + ADD 2 to ADD 29.

Member States welcomed the EIR initiative during the Environment Council on 28 February 2017 as a useful tool to improve the implementation of EU environmental policy and legislation at national level and to contribute to the greening of the European Semester. So far, the EIR has identified a number of cross-cutting root causes weakening implementation on the ground, in particular:

- ineffective coordination among local, regional and national authorities
- lack of administrative capacity and insufficient financing
- lack of knowledge and data
- insufficient compliance assurance mechanisms
- lack of integration and policy coherence

National authorities alone cannot solve the first root cause: a large part of EU environmental law is implemented by regional and local authorities. Awareness needs to be raised in ministries responsible for sectors into which environmental concerns need to be integrated (in particular, agriculture, energy, industry and transport) or from which support is needed (ministries of finance, economy, energy, transport and/or regional development).

To contribute to this, the Commission has recently adopted some initiatives which are closely linked to overcoming the above-mentioned root causes.

3. The new Compliance and Governance Action Plan – working together for closing the compliance gap on the ground

As a follow up to the EIR and addressing also root causes of weak implementation, the Commission recently presented a Communication announcing a total of 9 actions on environmental compliance and governance ⁶. This Action Plan responds to a demand for practical support to practitioners working across the EU to help improve compliance assurance and governance in the field of environment. It will help to collectively establish a more consistent EU approach to tackling environmental compliance and governance challenges. The results should enable practitioners to: target breaches of environmental rules and unfair competition as well as the harm they cause; better assist duty holders to fulfil their obligations; increase public confidence that the rules are followed by all actors and, last but not least, better protect Europe's common heritage.

In the implementation of the actions, the Commission underlined that it can only be successful if close cooperation with the Member States and with the practitioners networks is ensured from the outset. Hence, the Commission set up a new Environmental Compliance and Governance Forum with high-level representation from national ministries as well key authorities responsible for ensuring compliance in the countries (e.g. inspectorates).

The Forum is expected to offer an opportunity to discuss key issues at strategic level, identify priorities and agree working arrangements to address and resolve common challenges. Discussions amongst experts on specific topics will be covered by arrangements presented to the Forum. The first meeting is scheduled for 13 March 2018 and its aim is to offer an opportunity to shape a collaborative platform for working together on compliance and governance issues which did not exist before and which could also feed future discussions of the Environment Council.

⁶ 5485/18 - COM(2018) 10 final + ADD 1.

The Annual Growth Survey 2018 (AGS 2018) states *inter alia* that “competitiveness will be dependent on the ability to move towards more sustainability and resource-efficiency”.

However, the environmental dimension in the AGS 2018 remains very weak.

The European Semester is essentially a mechanism to coordinate the economic policies of all EU Member States and to address economic challenges. Environmental considerations are currently not reflected in country-specific recommendations, and while the AGS 2018 fails to fully exploit the potential of the green economy in the context of the growth and jobs agenda, as well as the links to the 2030 Agenda for Sustainable Development, it continues to promote the transition to a circular economy.

To complement the European Semester and fill the environmental gap, the Commission has recently launched two initiatives showing that environmental implementation is a crucial part of the solution to economic challenges, namely the Environmental Implementation Review and the Compliance Assurance Action Plan.

Together, these initiatives constitute an environmental toolbox that aims at better integrating and implementing EU environmental policy and legislation, fostering close collaboration between Member States and the European Commission, and strengthening the environmental contribution to the EU's jobs and growth agenda.

These initiatives (toolbox) could contribute to the integration of environmental solutions and guiding principles in the European Semester. With this agenda on "better environmental integration, implementation and regulation", the Environment Council could create its own driver towards a better environment and green jobs and growth, as well as will contribute to the implementation of the Sustainable Development Goals.

4. Questions

Ministers are invited to consider the following questions as a basis for the debate:

1. *How can the Environment Council strengthen its own agenda for better environmental integration and implementation? Do you agree that in future the debate on the greening of the European Semester could be expanded to take also into account environmental policy implementation's aspects with the support of the Environmental Implementation Review (EIR) and the Environmental Compliance and Governance Action Plan?*

 2. *Based on our environmental agenda, what message should the Presidency send so as to ensure that the proven potential of environmental policy to promote jobs and growth through green sustainable investments and finance is embedded in the future financial perspective of the EU?*
-