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Report on the implementation of the Environmental Technologies Action Plan in 2004

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(text with EEA relevance)

The Environmental Technologies Action Plan¹ (ETAP) was endorsed at the European Spring Council on 25-26 March 2004. Positive reactions to ETAP were subsequently received from a wide variety of stakeholders including business organisations, financial actors, the research community, non-governmental organisations.

The conclusions² adopted by the Environment Council on 14 October 2004 call for rapid implementation of ETAP to give eco-efficient innovations a fair and competitive market perspective and to provide for the internalisation of external costs through an effective mix of instruments. These include performance-based green public procurement, fiscal incentives, reform of subsidies that have considerable negative effects on the environment and are inconsistent with sustainable development, and risk-sharing facilities, especially for SMEs.

The report by the High Level Group chaired by Wim Kok on the Lisbon strategy 'Facing the Challenge' provides additional momentum for the implementation of ETAP and calls for Member States to establish roadmaps for specific measures and deadlines.

The Commission, with the support of the Member States and the European Investment Bank, has made good progress in implementing the Action Plan. The present report summarizes the main achievements, outlines some actions by Member States on which the implementation of ETAP can build and highlights areas where efforts could be stepped up to make faster progress towards tapping the full potential of environmental technologies.

1. ETAP AND EU COMPETITIVENESS

More evidence is emerging on the contribution of environmental protection to the competitiveness of EU business and enterprises as a whole. When considering eco-industries alone, the world market for environmental goods and services was estimated at over €500 billion in 2003 – comparable to the aerospace and pharmaceutical industries – and continues to grow at around 5% per year.³

In this global market, Europe can gain first mover advantage by focussing on environmental technologies that other countries will turn to. Europe is already leader in some environmental technologies such as wind energy, but the competition is growing with major competitors designing their own strategy: Japan for example has given itself the aim of becoming a world leader in energy-saving technologies, supported in particular by the "top-runner programme"; Canada has also announced

¹ Commission's Communication on 'Stimulating technologies for Sustainable Development: an Environmental Technologies Action Plan for the European Union' (COM(2004) 38 final, 28.1.2004)

² Clean, Clever, Competitive: the opportunities of eco-efficient innovations within the Lisbon process

³ Adrian Wilkes of the European Committee of Environmental Technologies Suppliers Associations, presentation to 2004 Green Week, June 2004.

an ambitious strategy on environmental technologies, backed with a budget of CAD 1 billion.

At the global level, the sharp increase and fluctuation in oil prices in recent months has re-launched the debate on the need to reduce EU dependence on oil and boost support to policies aiming at energy efficiency, renewable energies and low carbon energies. Energy efficiency can reduce the energy demand in a cost-effective manner. It should be noted that investments in such technologies, by reducing the dependency on oil, also protects the economy against GDP losses because of the oil-GDP effect: recent calculations⁴ suggest that an increase of 10% in the share of renewable sources in electricity production can avoid oil-induced GDP losses in the range of \$29–\$53 billion in the US and the EU (\$49–\$90 billion for OECD). These avoided losses offset *one-fifth* of the investment needs in renewable energy projected by the European Renewables Energy Council and *half* the OECD investment projected by a G-8 Task Force. The Commission Communication on the share of renewable energy in the EU⁵ assesses the state of development of renewable energy and proposes concrete actions at national and Community level to ensure the achievement of EU renewable energy targets for 2010. Investments in both energy efficiency and renewable energy will thus increase the security of supply of energy for Europe.

Technological developments in the energy sector, especially regarding energy efficiency and renewable energies, are also, but not only, steered by the EU Climate Change policy. The launch of the Emission Trading System, on 1st January 2005, should be instrumental in this respect. Technological developments are also crucial for the preparation of the next steps of the fight against climate change, after the deadlines fixed in Kyoto. The Commission's Communication relating to the costs and benefits of medium and long term strategies on climate change ("post-2012") will give elements to guide the EU on the way forward.

2. THE IMPLEMENTATION OF ETAP IN 2004

The implementation of the key priorities in the Action Plan is well underway. Progress has been made in giving more priority to environmental technologies in the EU Framework-Programme for Research and Development. Technology platforms have been established in technological areas relevant for eco-innovation. Networks of testing centres are being established and should prepare the ground for a possible EU-wide environmental technology verification system.

The proposed Regulations for the future period of the Cohesion policy should facilitate regional investments in sustainable techniques and solutions, and the preparation of a future framework-programme for Competitiveness and Innovation should extend the range of EU instruments supporting environmental technologies.

In order to improve market conditions for the uptake of environmental technologies, an EIB facility supporting private investments related to the EU Emission Trading

⁴ Shimon Awerbuch, Exploiting the oil-GDP effect to support renewables deployment, forthcoming.

⁵ COM(2004) 366 final

Scheme has been established, while preparatory work under the Dutch Presidency paves the way for further action regarding risk funding schemes.

The finalisation of key orientation documents on Green Public Procurement⁶, on standardisation⁷, and on environmentally-harmful subsidies⁸ should catalyse action at both EU and Member States levels in these areas. In particular, co-operation between the Commission and Member States is taking place on the basis of the Handbook on Green Public Procurement, in order to facilitate the preparation of national Action Plans, measure progress and possibly set common targets. Preparatory work is also pursued on the design and implementation of performance targets for key products, services and processes.

Progress has also been made with respect to the global dimension, with the preparation of a Patient Capital Initiative supporting investments in renewable energy and energy efficiency, and discussions at international level on export credits and trade agreements. The implementation of the water and energy ACP-EU facilities, in the framework of the development aid policy, also creates significant opportunities for environmental technologies.

The development of information tools and the mobilisation of relevant stakeholders should pave the way for further initiatives regarding awareness-raising and targeted training.

The annexes to this document give more information on the progress in implementing ETAP (Annex I) and on the experience and initiatives in Member States on which the implementation of ETAP can build (Annex II).

3. NEXT STEPS IN ETAP IMPLEMENTATION

EU action nevertheless needs to be intensified in order to achieve a decisive impact on the wider use of environmental technologies:

- Community financial instruments should better promote the mobilisation of risk finance for knowledge related activities and innovation such as eco-innovation. This would reinforce the availability of venture capital for SMEs with a high growth potential willing to develop such innovations in the Member States and in the whole EU. The EIB group should step up its efforts in designing new instruments leveraging investments in eco-innovation and the wider use of environmental technologies, especially by SMEs.
- Environmental performance targets for products, processes and services need to be developed by the Commission as a matter of priority. Such performance targets should address major environmental challenges such as climate change, air and water pollution, efficient energy consumption and the reduction of waste. They

⁶ European Commission, Buying green! A handbook on environmental public procurement, Luxembourg 2004.

⁷ Commission Communication on the integration of environmental aspects into European standardisation (COM(2004) 130 final), of 25.02.2004.

⁸ OECD, Environmentally-harmful subsidies – policy issues and challenge, Paris 2003.

should establish benchmarks for environmental performance of key product groups, processes and services complementing the more traditional standards with ambitious targets for markets to respond. The system of establishing performance targets should be practical and operational with periodic review mechanism to offer operational tool for consumers, businesses, administrations, procurers and financiers to inform, to make choices and to promote eco-innovations, both at national and Community levels.

- Efforts to establish an EU wide system for testing and verifying environmental technologies should be intensified. Such a system should allow producers to get a certificate for the environmental performance of new innovations and other technologies in line with the established environmental performance targets. Verification system should also aim at increasing the confidence of consumers and businesses for new technologies introduced in the market.
- The state aid rules already allow for the provision of incentives for environmentally friendly investments and aim at securing a level playing field for eco-innovations and environmentally sound technologies in the marketplace. Work to revise the Guidelines for environmental state aids will start in 2005. In this context, it will be examined whether such rules should further facilitate the development of eco-innovations and their introduction to the markets.
- In the context of the Environmental Technologies Action Plan, appropriate indicators should be developed in order to better analyse the development of eco-innovation and evolution of environmental technologies' markets. They should measure both market developments and the performance of EU industry in the market. They should also measure the progress made in implementing the Action Plan as well as the eco-efficiency of the EU economy. They should build on the work done by the Commission (Eurostat) in the field of environmental accounting and of eco-efficiency indicators.

Member States have also developed actions relevant for eco-innovation. In addition to national strategies or action plans, best practices in national programmes or instruments offer a good basis for the exchange of experience, joint actions or benchmarking in support to the EU action plan. Decisive steps should now be taken in order to take full advantage of existing best practices:

- By the end of 2005, Member States should set national roadmaps for the implementation of ETAP. Such roadmaps should build on existing strategies and action plans, and indicate concrete measures and deadlines. The identification of best practices in Member States could lead to benchmarks and appropriate indicators on the development and market uptake of environmental technologies. The roadmaps could then be consolidated at EU level, providing a basis to further develop co-operation between Member States on the implementation of ETAP.
- Member States should take steps to mobilise additional risk funding for eco-innovations and environmental technologies. This could be done by establishing investment funds dedicated to eco-innovation or environmental technologies. The Green Investment Fund in the Netherlands and the Investment Fund for Environment and Energy Management (FIDEME) in France are good examples of

efficient instruments for mobilising risk financing for eco-innovations in Small and Medium-Sized Enterprises.

- National action plans for green public procurement should be drawn up. Such plans should establish objectives and benchmarks for enhancing green public procurement as well as guidance and practical tools for public procurers. Good examples for developing such action plans can be found in the EU green public procurement handbook as well as in the green purchasing policies and actions plans developed in Austria, Denmark, Finland, the Netherlands, Sweden and the United Kingdom. Appropriate links should be considered between the national actions plans and the performance targets for key product, services and processes, and with the envisaged EU-wide system for testing and evaluating environmental technologies.
- In line with the prioritization efforts made under the 6th Framework-Programme for Research and Development (FP6), national and regional R&D programmes concerned by ETAP should begin to coordinate their activities to avoid fragmentation and efficiency losses, for example through an ERA-NET project. In 2005, the Commission will gather the managers of national and regional ETAP-relevant R&D programmes to initiate such coordination.

The European Commission will report on the implementation of ETAP to the 2007 Spring European Council, including on the first results of the co-operation with Member States.