

# **Europe must become the world champion in energy and resource efficiency!**

## ***The Challenge***

The Commission's 'Green Paper for a European Strategy for Sustainable, Competitive and Secure Energy' rightly points out the urgency of the problem: The EU's energy import dependency is rising dramatically. Without major changes, around 70% of the EU's energy requirements will have to be imported in the next 20 to 30 years, compared to 50% today. Global oil and gas prices will continue to rise – they have already nearly doubled in the last 2 years. Similar problems are to be expected with other resources. Finally, there is little doubt that climate change is already happening with potentially dramatic negative economic, social and environmental effects, also in Europe. All of these challenges could be met by increasing Europe's energy and resource efficiency.

## ***The winning strategy***

Today, there is widespread agreement across the political spectrum that increasing Europe's energy and resource efficiency will be a winning strategy and a necessity at the same time. Overcoming Europe's resource dependency would have many positive effects:

- Increasing resource and energy efficiency will boost innovation and job-creation in the European Union. Indeed, it might be one of the few options to increase the EU's competitiveness in a sustainable and socially acceptable way.
- With global resource prices continuously growing and the EU spending billions on oil, gas and other resource imports, any increase in resource efficiency will have direct positive economic benefits and reduce pressures on private and public budgets.
- Global and local environmental problems resulting from the inefficient use of resources and energy will be reduced or overcome – climate change being one of the most burning and prominent examples among many others.
- Eco-efficiency will decrease global resource pressures and allow developing countries to use a fair share of the world's resources for their sustainable development – a prerequisite for global justice.
- The global competition over limited resources is a potential reason for future wars and a threat to our security, which can be reduced substantially by an efficiency strategy.

## ***Support from all sides***

The idea to "*make Europe the most energy and resource efficient economy in the world*" has received full support from politicians, the scientific community and the European Commission alike. The President of the Commission, Manuel Barroso stated his support<sup>1</sup> (while however not yet being really active on it) and there is overwhelming macro-economic evidence that it would benefit the economy and the environment alike and help reduce unemployment. The EU's Sustainable Development Strategy makes reference to the idea and even the Lisbon Process recalls that eco-efficiency is an important objective of the European Union.

## ***Europe could miss a great chance***

Given such widespread support, it is surprising and disturbing how little concrete action has been taken so far. A strategy to systematically adjust policies to promote an eco-efficiency revolution in the EU is completely missing. Even worse, the current dominance of old

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<sup>1</sup> In a meeting with environmental organisations on March 15, 2005.

fashion economic thinking (concentrating primarily on labour cost reduction and simple economic growth) could well result in increased pressures on resources and the environment in the near future.

Other countries are starting to be ahead of Europe and we are in danger to lose our leading position in eco-efficiency and environmental technologies. To give just one example: China has just passed legislation, which defines binding energy efficiency standards for new cars. Europe however has so far not put up any binding legislation, and depends on a non-binding voluntary agreement with car manufacturers which is likely to fail. This means that Europe is not pushing its own industry to develop more efficient cars for the future. The result will be that European cars will have problems on the Chinese market and that other continents will be ahead of Europe in developing, marketing and broadly selling the modern car of the future – a car which will be and must be a highly energy and resource efficient one.

### ***Barriers: Ignorance, lack of innovation, old-fashion thinking and lobby power***

The current catastrophic combination of ignorance, old fashion economic thinking and dominance of specific, non-innovative industrial interest could result in Europe losing a major chance. It is time that Europe's politicians wake up and harvest the incredible benefits for Europe's people, economy and environment that will result from dramatically increasing Europe's resource and energy efficiency. They must be supported in this approach by progressive industry and civil society.

The excuses why not much is done so far are many fold and often embarrassingly wrong. There are plenty opportunities to promote energy and resource efficiency in the European Union now (see examples below) and there is no excuse for the current inactivity. It is true that the structural set-up of the European Union – such as the unanimity rule for environmental taxes – makes progress in a few areas difficult. This should however not result in inactivity but in a reform process to overcome such obstacles.

### ***Taking concrete steps***

European policies can take enormous influence on the development path of the EU. European Directives and Regulations influence policies and the economy directly. EU programmes – such as the tens of billions of Euro spend every year through the Cohesion policies – can be used to move the economy in a certain direction. Specific programmes can help innovation and research. Such opportunities must finally be used in a coordinated and consequent way to dramatically increase the efficiency in which we use resources and energy!

The following describes some of the many policy areas where change can and must happen now. European decision makers must finally set a framework in which eco-innovation and efficiency can thrive.

### ***Overarching processes***

The Lisbon Strategy, the EU Sustainable Development Strategy as well as the Thematic Strategies of the 6<sup>th</sup> Environmental Action Program all must give resource and energy efficiency top priority. In their current form, they lack ambition, targets and time-tables and hardly give the overall guidance for a policy shift towards eco-efficiency.

### ***Research***

The 7<sup>th</sup> research framework programme of the EU lacks an emphasis and resources for renewable energies, energy efficiency and energy saving and is still biased towards nuclear and fusion research. This must urgently be corrected, if the EU is serious about becoming the most resource efficient economy in the world.

## **Greening the EU budget**

The EU must use its own budget to drive forward energy and resource efficiency. The tens of billions spend via the Structural and Cohesion Funds every year represent an enormous chance to influence the development path of the European Union – specifically in the new member states where energy and resource efficiency is very low. This does however need a major policy shift, which gives energy and resource efficiency priority in the planning, implementation and monitoring of programmes and projects.

The decisions on the financial perspective of the EU for 2007-2013 have not been a step in the right direction. The budget for rural development (which includes many chances for eco-efficiency) has been dramatically decreased while other parts of the budget, which have little or no positive effects, remain untouched. The review of the EU budget in 2008/2009 must therefore be used to correct these mistakes (including greening of the Common Agricultural Policy, aiming for more environmentally friendly and less input-dependent agriculture).

State aid rules should be much more consistent: While the environmental state aid guidelines restrict support for environmentally friendly technologies and projects, subsidies to coal and nuclear are still eligible to a very large extent.

## **Energy and Climate Policy**

There is a whole range of directives, policies and processes currently under discussion in the European Union, which can be used to improve Europe's energy efficiency. Among them are the EU's Renewables Energy Directive, the Emission Trading System, the Buildings Directive and the Energy End-use Efficiency and Energy Service Directive, to name just a few. All of them need improvement concerning their ambition, towards concrete targets, timetables and binding regulations.

The Green Paper on Secure, Competitive and Sustainable Energy for Europe, which was published lately by the Commission, must be substantially improved in order to make a positive contribution. In its current form, the paper fails to make energy efficiency the central element of its strategy. Embarrassingly, the transport sector is largely absent in the paper. The paper lacks vision, targets and concrete proposals and misses the opportunity to propose an integrated strategy which puts energy and resource efficiency and saving in the center. This must be changed.

In its Green Paper on Energy Efficiency the European Commission notes that 20% of the EU's current energy use could be saved by 2020 at no cost. It is high time that such considerations are followed by concrete action and binding targets.

An ecological tax reform - shifting taxes from labor to energy and resources - is one of the most effective ways to boost eco-innovation and efficiency while creating jobs and economic benefits at the same time. The European Union must start an ecological tax reform and at the same time reduce environmentally perverse subsidies, specifically for fossil fuels. To effectively reach this aim, the unanimity requirement for environmental taxation must be abolished. The energy tax directive needs to be reviewed and strengthened soon.

## **Transport**

The unsustainable growth rates in the transport sector make it a major target for achieving resource efficiency. European wide measures, which so far are almost completely lacking – are needed to reverse the negative trend. Among them is, for example, the setting of binding standards for the fuel-efficiency of cars - especially since the voluntary targets are going to be missed by industry. Infrastructure Development in the EU must give priority to the most energy and resource efficient forms of transport. The proposals for emission trading for aviation or the ideas for an air ticket tax, as well as the Biofuels Directive are further policy areas which are currently under discussion and can contribute to increasing the resource and energy efficiency of the transport sector.

## **Other policy areas**

The list of policy instruments, directives and regulations, which could be used to promote energy and resource efficiency, is long. This shows that there is absolutely no excuse for the inactivity of many European politicians and stakeholders. The eco-efficiency revolution can start any moment and decisions for or against it are taken every day.

Examples for further possible action include:

- The EU and its member states must use the purchasing power of the state to drive forward resource-efficient products. Where necessary, relevant framework legislation for public procurement must be installed.
- The Integrated Product Policy and the 'Directive for setting eco-design requirements for energy-using products' must contain ambitious and binding goals.
- The EU needs a forward looking and ambitious Environmental Technology Action Plan.
- Lending of the European Investment Bank and the European Bank for Reconstruction and Development must be geared away from fossil fuel and towards resource efficiency.

## ***Time to wake up!***

Technologies are available, simultaneous benefits for the economy and the environment are possible and the policy instruments exist or could easily be developed. Europe has no time to lose, otherwise the bill of higher costs for resource and energy imports as well as of climate change induced damages (and other environmental problems) will soon be to be paid by all of us. Our decision makers must wake up and make Europe the world champion in energy and resource efficiency – in the interest of Europeans as much as in the interest of the people and the environment around the world!

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*This paper is based on and summarises the following study:*

### ***Factor X and the EU:***

#### ***How to make Europe the most resource and energy efficient Economy in the World***

*A review of policies and legislative initiatives of the EU which could contribute to increasing the energy and resource efficiency of the European Union*

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*In cooperation with the Aachen Foundation.*

*The study can be ordered from [schrooten@aachener-stiftung.de](mailto:schrooten@aachener-stiftung.de)*

*or downloaded from: <http://www.aachener-stiftung.de/cms.php?id=312>*