



**Commissioner Janez POTOČNIK**

**Speech of Commissioner Potocnik to COSAC  
(Conference of Parliamentary Committees for Union Affairs of  
Parliaments of the European Union)**

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## **SUSTAINABLE GROWTH – PROMOTING TRANSITION TO A RESOURCE EFFICIENT ECONOMY IN EUROPE**

### Honourable members of Parliament

- As Commissioner for Environment I am very happy to be invited to speak to you about single market issues. And I am not joking. You might think that it is unusual to bring environment policy into the single market debate, but the more you think about it, the less unusual it seems.
- From the beginning of my mandate I have tried to take the environment to the heart of the economic debate. I put our resource efficiency flagship at the centre of the Europe 2020 Strategy, and I believe it is the most significant and innovative aspect of Europe 2020 compared to its predecessors.
- I believe that the economy and the environment are deeply inter-linked and inter-dependent. I believe that the only way to develop sustainably is through making the way our economies work sustainable. And I believe the Single Market can be a driving force for greening the economy, just as resource efficiency could revitalise the Single Market. From full and fair implementation of the environmental acquis across Europe to clear eco-labelling for European consumers,

you would be surprised at how many times the effectiveness of the single market has an important impact on achieving our environmental aims.

- I will consider my term as commissioner to have been a real success if ministers of economy and finance talk as much about the environment as I talk about the economy and finance.
- They should do!.... I don't make the arguments about resource efficiency only because I think they will help meet our environmental objectives. I make them because I believe that improving our resource efficiency is essential to our future competitiveness and long-term prosperity.
- I will give you the economic arguments for this in a moment, but I am sure that you can already see the political attractiveness of this approach. We are moving from the old polemics between environmentalists and business, to a pragmatic realisation by environmentalists that the economy is part of the solution for the environment, and by business that the economy is a wholly owned subsidiary of the environment.
- I want to talk about three main themes this morning.

- The **first** is to look at what is the economic rational for resource efficiency? The most important is that current Global megatrends make resource efficient growth a necessity – in fact, an inevitability.
- We will share our small planet with 9 billion people by 2050. Even more significantly, there will already be 3 billion extra middle class consumers by 2030. That is great news for those 3 billion whose living standards will rise, and great news for the businesses that will thrive on providing for their demands. But those demands will also put immense strain on many resources. And that pressure will be the most significant limiting factor on our ability to grow and provide higher living standards.
- We will need three times more resources – 140 billion tons annually – by 2050. The demand for food, feed and fibre is projected to increase by 70 %. Yet already today 60 % of our ecosystems underpinning these resources are degraded. Without efficiency gains, by 2030, we will need 40 % more water than we can access.
- The scale and effects of increases in consumption will be hundreds of times greater than the early industrializations in

Europe. The population of China today is one-hundred times greater than that of the United Kingdom during its industrial revolution, and China will achieve growth levels in 10 years that took the UK one-hundred years. So we are talking about a resource shock that will be 1000 times greater ... And that is just China.

- The resource scarcities and pressures that will result from the consumption of these massive middle classes will be a constraint on growth for us all. We must prepare if we are to remain competitive, and to continue to raise our living standards.
- That is why the overarching objective of our resource efficiency policies is to decouple resource use and its impacts from economic growth. Of course that requires changes in our behaviour as producers and consumers, and that in turn requires a wide approach across many policy areas and policy instruments, and particularly it requires the implication of the private sector.
- Most of those policy competencies are in the hands of the national governments. That is one of the reasons I was keen

to speak to you today. We have to take the resource efficiency agenda to national capitals and regions.

- The European Semester process under Europe 2020, and the annual National Reform Programmes will be central to delivering resource efficiency. I would appeal to the national parliamentarians here today to keep a close eye on the actions of your governments in responding to the Commission's Annual Growth Survey. For 2012 for example we have called for the elimination of environmentally harmful subsidies, and for a shift in taxation from labour to pollution and resource use.
- More generally the longer term interest in transforming our economies to a resource efficient growth path is clear. Higher resource prices mean it is those that use them more productively that will have the competitive advantages.
- But this does not mean that in times of financial crisis and austerity we cannot afford the luxury of thinking about longer term sustainability.
- There is also a strong short-term economic rationale to resource efficiency. European companies are leading in many of the green technologies that will be needed to bring about

the transition, and the global markets for water and waste management, for renewable energies and recycling are growing fast.

- And on a more local level there is enormous and immediate potential for stimulating investment and new jobs in environmental sectors. Just take waste, for example. A report we have just published calculates that full implementation of the existing waste legislation by Member States would create 400,000 jobs in total and save € 72 billion a year compared to non-implementation.
- Recent reports from the German and UK governments have also identified huge savings and benefits to be reaped at little cost and in very short payback periods. These are not so much low-hanging fruit as “rotting fruit” that should have already been picked.
- As with energy efficiency, the initial investment costs for the private sector can be significant. But many companies already realise the inevitability that they will need to make them, and our main task as policy makers is therefore to ensure we give the predictability and clarity needed to enable those

investments to take place. Making those investments sooner rather than later will mean less dislocation and fewer losers.

- As parliamentarians your daily bread and butter is legislation. And as I'm sure you know, we have quite comprehensive legislation at Community level in the environmental sphere, produced in cooperation with the European Parliament and the Council. It has been the basis of our approach to environment over the last 30 years and it has provided our citizens with cleaner water and cleaner air. It has curbed the excesses and punished the polluters. But the resource efficiency approach recognises that end-of-pipe legislation is never going to be enough. Especially if we don't implement it properly.
- Legislation still has an important role to play, in providing the right incentives and targets. But our behaviour, as producers and consumers, depends on many factors and we have to use many policy tools. In November we explained what tools we believe are necessary in our "Roadmap to a Resource Efficient Europe":



- We propose a mix of market-based policy instruments to provide the right signals and incentives, remove barriers and address market failures.
- Some of those tools aim at making the single market for green products and services work better.
- Now I come to the **second** theme I want to share with you: Greening the Single Market
- At the end of this year we will publish a communication on Greening the Single Market. We just closed (on 3<sup>rd</sup> April) a public consultation exploring different policy options.
- We need to create a single market where environmental information is comparable and flows freely. We cannot expect producers or consumers to act rationally and efficiently in their use of resources if they do not understand the value or fragility of those resources, either through market signals or through other sources of information.
- Common benchmarks would make it easier for companies to understand their performance within their sector, or their products' performance within a product group, and also

realise improvement potentials throughout the value chain. Front-runners in this area can already testify to the huge potential: for example, by implementing Life Cycle Management principles, 3M has saved over 1.2 billion dollars over 30 years.

- Those front runners – dynamic companies at the top of supply chains – make increasing demands on the smaller companies that provide them with components, materials and services. We need to provide those SMEs with the information and tools to meet those demands, by helping them measure the life-cycle costs and effects of their products and their production processes.
- Consumers also need clear and credible information. It is estimated that there are about 400 different environmental labels around the world. The Monti report recognised that this proliferation of separate national initiatives is a bottleneck to the Single Market. It confuses, and leads to public cynicism about green claims and assumptions of green-washing. Add the thousands of private labels and logos and confusions reigns!

- We need to establish clear criteria for measuring the life-cycle performance of products and services and communicating this to consumers. If we can increase trust in green claims we will reward the best performers and trigger more innovation, growth and jobs in green sectors, and better environmental performance in all industries.
- That is why the Commission is already working on a proposal for a life cycle assessment-based methodology and an accompanying policy. We announced this in the Communication calling for a Single Market Act, as the 10<sup>th</sup> specific action, leading to the development of a common methodology for the environmental footprinting of products. We will make more detailed proposals for this at the end of this year in our communication on Greening the Single Market.
- Such a footprinting methodology would lead to a common, reliable basis for assessing and communicating the life cycle environmental performance of products in the Single Market. The real value and potential of such a tool is by applying it via existing policies:

- As the basis for reliable information to consumers on the green credentials of products;
  - As the basis for Green Public Procurement criteria;
  - As the basis for establishing eco-design specifications
  - As the basis for directing public support to improving performance where it most matters.
- In this way we can make sure that we reward the best, and take the worst off the market; making the green single market a reality.
  - Finally, my **third theme** is how to create a level playing field
  - As all of you know, legislation is not much use if it is not implemented.  
As legislators I am sure you could be the first to agree. Non-implementation is also unfair, and leads to distortion of markets.
  - Last month the Commission looked at this in some depth in a Communication setting out how we believe we must meet the challenges of implementing the environmental acquis.

- National parliaments can help secure those benefits in several ways.
- First of all, they can help complete the transposition process on time. It is disappointing, for example, that many Member States missed the transposition deadline for the new Waste Framework Directive – one of the instruments that can help deliver those 400,000 jobs I referred to earlier. Delays mean uncertainty for investors and stakeholders and undermine the level playing field.
- Second, national parliaments can help design national implementing rules that best fit the challenges within the Member State concerned. One technique that the March Communication advocates is building-in good information systems from the outset so that implementation can be efficiently tracked.
- Third, national parliaments have an essential role in monitoring to make sure that the right results are delivered. The March Communication focuses on good knowledge about implementation and a high degree of responsiveness to any problems or challenges that present themselves. Citizens shouldn't need to write to Brussels because of a lack of

remedies at national level. That is why we suggest strengthening national systems.

- Honourable ladies and gentlemen, dear Members of Parliaments, your role is fundamental to developing a truly integrated approach to achieving resource efficient growth, to developing an efficient single market for green products and services, and for ensuring full and effective implementation of environmental legislation.
- I am convinced that we are all aware that the future can only be sustainable. This is inevitable and there is no real alternative. And trying to avoid the unavoidable never ends well. The sooner that we will all together understand that fact, the easier and more rewarding will be the transition. Transition by definition creates both winners and also some losers, but when done in its final stage, this transition will make winners of us all.
- It is a particular pleasure to speak to you and I look forward to hearing your ideas and suggestions.
- Thank you for your attention.
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