



Synergising Sustainable Consumption and Competitiveness

Final Report Prepared by Johannah Bernstein for Germanwatch and Worldwatch for Roundtable Held on March 2, 2005 at HANSE-Office, Brussels, Belgium

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Introduction

This report summarises the principal conclusions that were highlighted at the roundtable dialogue on synergising sustainable consumption and competitiveness policies, which Germanwatch and the Worldwatch Institute convened in Brussels on March 2, 2005. The March roundtable was the third in a series of Brussels-based events that Germanwatch and Worldwatch have organised on the topic of sustainable consumption in the last year. The overarching objective of the roundtable was to convene a small number of key actors to examine the political messages that should be highlighted in order to:

- Better elevate the sustainable consumption imperative in the forthcoming mid-term review of the EU's Lisbon Strategy on Competitiveness at the 2005 Spring Summit.
- Increase political will to operationalise WSSD sustainable consumption commitments in the context of the ongoing intergovernmental Marrakech process.
- Identify individual and collective commitments to help advance the sustainable consumption agenda.

It is important to note that this report does not represent an agreed consensus of the participants. Rather it is a consolidation from Worldwatch and Germanwatch of the main points that were raised, which may be further developed over the coming months.

1. The Political Challenges for the EU to Advance Eco-Competitiveness

- Competitiveness will continue to be one of the important issues on the EU political agenda because job loss is threatening the whole EU social model. The EU has maximized its efficiency gains in the employment sector, so a key challenge for the EU is to increase efficiency within the context of overall resource use.
- While the business case for sustainable consumption is increasingly being made, it is important to advance the political case for less consumptive and/or more climate friendly economies and demonstrating their benefits for all sectors of society. It is important to frame strong counter-arguments regarding the standard arguments that are often presented in terms of the impacts on wealth and job creation.
- It is important to address the nature and meaning of competitiveness. Because 70% of EU economy is service-based, therefore we must address how we use the service side

of the economy to boost competitiveness. When understanding competitiveness from this perspective, it is clear that the EU's competition failures are due to deficiencies in education and capital and financial markets.

- Given the overlapping reviews of both the Lisbon Strategy and the EU Sustainable Development Strategy, it will be critical for the EU to address how the environment can work for development and how best to create synergies between the challenges of competition, innovation, and environmental protection. This is especially important in light of the fact that sectoral thinking continues to be the dominant norm in key political decision-making tracks within the EU. Against this backdrop, another very important challenge to be faced by an enlarged EU will be to reach out beyond environment ministries and engage the economic ministries to demonstrate and convince them of the long-term economic gains of environmental efficiency approaches.
- Eco-efficiency is regarded as the most viable strategy to obtain competitiveness and sustainability, but it will not do the job alone. Eco-efficiency reaches its limits when the expansion of production and trade overcompensates what has been achieved. The political challenge is to initiate a debate on sufficiency, a new perception of values, and a profound re-orientation of our societies. This will not be possible by efficiency alone. The quality and size of the economy will only change when people seriously ask what is enough and when the wealth of money loses its dominant position to the wealth of social relationships. This change in thinking will not lead to the break down of the economy or society, but the volume of the business of the purchase economy will shrink. This will affect jobs and possibly government finances. The present system, which swallows jobs and erodes social fabric, will be what breaks down.
- Questions regarding overall values and principles and whether economic growth is the right path forward do not figure at all political debate at all. Discussions on climate change, etc, are based on an absolute reliance on technology. The discussions do not broach the topic of unequal opportunities and rights in the north and south. We must think about new fiscal and institutional mechanisms and open up the debate about values on all levels.
- The business lobby tends primarily to represent the traditional and most conservative organisations, with more progressive firms rarely speaking in public. Enhanced efforts must be directed towards engaging the enlightened captains of industry and encouraging them share their positive experiences with decision-makers in terms of eco-innovation spur competitiveness .
- Resistance to command and control is indeed a challenge that must be addressed. We must also determine how best to ensure a judicious mix of regulatory and economic instruments that will stimulate innovation. We must ask what are the instructive examples of where and how the business community responded to command and control approaches.

2. The Key Messages for the Spring Summit

- The EU's competitiveness policy should aim to make Europe the most energy and resource-efficient economy in the world by the year 2010. While we see an emerging consensus within the political leadership that EU competitiveness must be grounded in the imperative of resource efficiency and eco-effectiveness, we remain concerned that the critical path towards that goal has yet to be clearly defined. We also believe that more emphasis must be directed towards quality of growth issues.

- The European Commission's Environmental Policy Review of 2004 concluded that eco-industries are an engine for growth, expanding at around 5% per year, with the expanded world market for environmental goods and services estimated at over 500 billion Euros. It is therefore time for the EU political leadership to take the action necessary to ensure that the unequivocal business case is matched with the necessary level of political momentum and will to elevate the sustainable consumption imperative on the EU political and economic agendas.
- Despite the considerable work that has been undertaken by DG Environment in the design and development of a wide range of sustainable consumption and production policies, EU Member States are simply not demonstrating the leadership role that the World Summit for Sustainable Development called upon them to take in order to reduce their own unsustainable consumption and production patterns. We feel therefore that the next step needed is to establish an EU Policy on Sustainable Consumption and Production, which would provide an overarching framework for all of DG Environment's sustainable consumption and production work undertaken to date.
- Such a framework would not only provide greater policy coherence, but it would serve to elevate the EU's political commitment to sustainable consumption and to demonstrate to the world at large, that it is prepared and committed to playing a leadership role at home and on the global stage.

3. Strategic Considerations for Advancing the Sustainable Consumption Agenda

- We must work more effectively with business and governments to ensure that consumers are able to enjoy their quality of life with great products and smarter services using far less resources and causing far less social and environmental impact. This is a matter of better planning and a matter of breaking through the taboo about command and control and economic instruments. It is important to consider that it is virtually impossible to achieve sustainable consumption goals without command and control regulatory approaches. The role of command and control for industry as an impetus for innovation must be addressed in greater depth. For example, consumers can no longer buy electrically unsafe products but they can still buy products that have been unsustainably produced.
- At the EU level, there is already a wide array of instruments that have been developed and implemented. Thus there is no need to reinvent new tools. The key question that must be addressed is why political momentum seems to be stalled, when the need is constantly expanding. This is equally the case at the member state level.
- It is clear that EU sustainable consumption policies are far too fragmented and need to be framed coherently under one integrated programme. The time has come to bring all the different tracks together and deepen the analytical thinking to address how best to expedite implementation. Equally important is a system for prioritizing sustainable consumption and production policies to be elevated within a new framework.
- The EU must do more to export knowledge and experience with its own sustainable consumption-related policies and directives. It is clear that in many sectors, other regions of the world are driven in part, by the measures adopted within the EU.
- DG Environment's 2004 Environmental Policy Review concluded that eco-industries are quickly out-performing other sectors. Thus the business case is emerging however we must develop more refined methods for calculating the costs and benefits of sustainable consumption. The EU chemicals directive is an example where efforts

have been undertaken to improve methods for calculating the costs. This will be critical to bringing the business sector on line.

- Even though command and control regulation is an essential part of the mix of instruments, it is clear that market-based instruments must be further developed. This is particularly important in the pricing of energy. For example, when the external costs of electricity generation are duly factored, the costs of energy conservation become increasingly competitive. Business tends to think that it is economically disadvantageous if pricing is too high, but there is an optimum price level that must be understood.
- Ecological tax reform is also critical. However, we must address which approaches will enable the realisation of sustainable us to reach aims. The congestion charge in London has been successful in obtaining its environmental objectives. However at the EU level, the new EU Constitution still retains the veto over taxation, which means that any one country could veto a green taxation proposal. On the broader question regarding use of the tax system to redistribute benefits within society, it is important to recall that when considering the enormous wealth gap, missing jobs, and environmental challenges, all of these negative trends signal that we have the wrong fiscal framework that is continuing to send the wrong incentives to agents of growth within the economic system. We have huge taxes on labour, but we are facing massive job loss. On the other hand, we have few taxes on environmentally damaging activity and worsening environmental decline trends. Because capital can shift easily in globalised economy, this has created enormous wealth gap in the world. We must examine how to create better incentive structures. Regarding energy taxes, it is not about who spends the money, but what people spend their money on. We want them to shift towards purchasing environmentally friendly products. There are very good ways to do tax reform. Big industry says that the green tax shift makes good sense, but the problem is that it may not be done all over the world.
- There are important lessons to be learned from the successful example set by the packaging industry, where eco-innovation, combined with producer responsibility has generated impressive competitiveness results. It is important to note that eco-innovation has actually resulted from the introduction of producer responsibility. More best practices are needed to highlight the positive synergies.
- While CO₂ emissions trading and taxation are important tools, what is needed is greater and more high profile support from the business sector in order to take forward these important messages. At the time present, the business sector has been extremely vocal in highlighting the opposite message, which in turn has galvanised considerable pressure on the part of government to maintain business as usual responses to the enormous challenge of climate change.
- Another important tool to be addressed further is green accounting. This is an area where EU could take a lead. We are trapped in a model that values economic growth over all other values. The systemic shift needed must be grounded in a better approach to weighing up the costs and benefits of environmentally sound economic growth and in a realisation that not all forms of human happiness can be measured in monetary terms. Societies must refocus investment in the area of education and other social innovations and public goods.
- Against this backdrop, it is clear that what is missing is a clear strategy for ensuring that the right political messages are duly transmitted to the political leadership and to ensure that the sustainable consumption imperative is duly implemented at all levels. To this end, what is needed is a clear set of benchmarks against which the EU can be held responsible.

4. Opportunities for EU Leadership

- The Marrakech intergovernmental process calls on developed countries to take the lead in addressing unsustainable consumption within their own societies. Unfortunately this has not been the case. It is critical that the EU demonstrate principled leadership at this stage, but also to take the initiative in cooperating with other regions to transition to sustainability.
- The EU leadership role should also be exercised with regard to emerging economies such as China and India, which are quickly becoming high consumption societies, characterized by exponential resource use, CO₂ emissions, and population growth. The EU must assist these countries in leapfrogging the stage of high consumption otherwise the results will be disastrous for the rest of the world. The EU must demonstrate that it is impossible to generate and sustain economic growth with current unsustainable levels of production and consumption.
- The EU should also examine how it might take the lead in advancing the sustainable consumption in emerging economies. For example, a sustainability pact between EU and China would be a very promising driver for progress. It could be a process for the development of joint performance targets based on existing EU regulations such as the EU Technology Action Plan. Chinese listen carefully when new EU regulations are introduced because they want to sell their products in EU markets.
- The EU's leadership role will in large part depend on how it takes the Lisbon Process forward. One key challenge will be to engage the key economic actors within the EU institutions to accept that competitiveness and sustainability are not mutually exclusive but necessary complements. The EU must signal that there should not be any screening between competitiveness or sustainability. Indeed, the EU must take bold steps to ensure that the EU Sustainability Strategy is duly positioned as the overarching framework within the Lisbon Strategy will be situated.
- As noted above, there are a wide range of sustainable consumption policies in place. What is needed is a clear political commitment that hopefully will come from the Spring Summit, which in turn can provide the hook for the EU to take the lead on the global sustainable consumption agenda. The EU must develop an overarching programme (grounded on specific targets and timetables) that is linked with the global process. Together with a new programme, the EU must put in place a controlling system to evaluate the indicators and performance against those targets. Also needed is an overview of best practices.
- The EU must also consider how best to bring the US on board. One possibility is to generate tacit support by demonstrating that both the EU and key emerging economy markets such as China (through the possibility of a sustainability pact as mentioned above) were prepared to take bold steps in advancing sustainable consumption. It seems plausible that if these two enormous markets were to move forward in this direction, then US would follow suit very quickly. The Americans will only move forward once they see the clear business case of sustainable consumption as a real driver for competitiveness.

ANNEX: Participants

Roundtable: *Synergising Sustainable Consumption and Competitiveness*

Hosted by Germanwatch and the Worldwatch Institute

HANSE-Office, Brussels, March 2, 2005

- **Christoph Bals**, Strategy Director, Germanwatch, Germany
- **Johannah Bernstein**, Consultant to the Worldwatch European Partnership (WWEP), Belgium
- **Howard Chase**, Director, European Government Affairs, BP, UK
- **Bas de Leeuw**, Head, Strategy Unit, UNEP, France
- **Chris Flavin**, President Worldwatch Institute, USA
- **Satu Hassi**, MEP, Member of the Board, Worldwatch Institute, Finland
- **Fiona Harvey**, Financial Times, UK
- **John Hontelez**, Secretary-General, European Environmental Bureau (EEB), Belgium
- **Dr. Ulf Jaeckel**, Federal Environmental Ministry, Government of Germany
- **Dr. Holger Krawinkel**, Consumer's Association VZBV, Germany
- **Dr. Manfred Linz**, Wuppertal Institute, Germany
- **Achim Lohrie**, Director Environmental and Social Policy OTTO, Germany
- **Sylvia Lorek**, Northern Alliance for Sustainability (ANPED), the Netherlands
- **Timo Makela**, Director, DG Environment of the EU, Belgium
- **Maria Antonia Garcia Marin**, Foundation FUHEM, Spain
- **Marisa Mercado Merino**, Foundation FUHEM, Spain
- **Izaak van Melle**, former CEO VAN MELLE, Member of the Board, Worldwatch Institute, the Netherlands
- **Klaus Milke**, Vice Chairman of the Board, Germanwatch, Germany
- **Michael Renner**, Worldwatch Institute, USA
- **Dr. Martin Rocholl**, Director, Friends of the Earth Europe, Belgium
- **Dr. Camilla Toulmin**, Executive-Director, International Institute for Environment and Development, UK