Opinion of the European Economic and Social Committee on 'The green economy — Promoting sustainable development in Europe' (own-initiative opinion)

(2013/C 271/03)

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On 15 November 2012 the European Economic and Social Committee decided, under Rule 29(2) of its Rules of Procedure, to draw up an own-initiative opinion on

The green economy – promoting sustainable development in Europe.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 26 April 2013.

At its 490th plenary session, held on 22 and 23 May 2013 (meeting of 23 May), the European Economic and Social Committee adopted the following opinion by 108 votes with 2 abstentions.

1. **Conclusions and recommendations**

1.1 The EESC believes that developing an inclusive green economy will be Europe's main challenge in the coming years if it wants to remain a global economic power. At the Rio+20 conference, the EU pledged its commitment to the green economy as a form of sustainable development. Now is the time for the EU to take action. This is why we need an economic development model that prioritises public investment and draws up adequate incentives for private investment to develop 'green' infrastructure and R&D&I, with the dual purpose of promoting production in order to emerge quickly from the current recession and guiding our transition through this third industrial revolution from a leading economic and social position.

1.2 The EESC believes that the far-reaching and much-needed changes to production and consumption make it absolutely essential to involve civil society throughout the transition to an inclusive green economy at all levels, especially at the sectoral and territorial levels (European, national and regional). Participatory management is needed to minimise the resistance and detrimental effects that inevitably accompany change. It is this participation that will make sustainable progress possible on the economic, social and environmental aspects.

1.3 The EESC is concerned to note that green tax incentive policies have suffered a serious setback in recent years as a result of 'fiscal austerity', which is causing a severe contraction of economic activity and the job market. The IMF has recognised that the real economic contraction resulting from these policies has been far worse than estimated so far.

1.4 The EESC emphasises that developing an inclusive green economy will increase job creation opportunities. Green jobs should not be understood just as jobs in a few new emerging sectors, but all jobs created in connection with the 'greening' of production processes and products in all sectors. A fair transition to a green economy requires active employment policies that create decent jobs, including vocational training and lifelong learning for active workers. Employing women and young people in these sectors will be the key to this type of growth.

1.5 The EESC believes that an industrial policy that has been agreed by the social partners is vital in order to coordinate technological innovation efforts and to promote the changes required in the production infrastructures of many European sectors affected by the establishment of a low-carbon and resource-efficient economy. This will also entail substantial investment for businesses.

1.6 The EESC believes that the EU should incorporate the objectives of the sustainable development strategy in all its policies, primarily in the Europe 2020 Strategy and the seven

flagship initiatives. The EU's various strategies need to be consistent with each other and the Commissioners should speak with one voice on this issue. Specifically the Commission should take the opportunity of a mid-term review of the 2020 Strategy to strengthen its sustainability aspects and integrate it completely with the European Sustainable Development Strategy. It will be necessary to define and use indicators relating to the quality of growth so that this can be monitored and evaluated.

1.7 The EESC emphasises the important role that the European semester and the annual growth survey play in ensuring the monitoring of sustainable development policies. The EESC considers it necessary to abandon subsidies that are harmful to the environment and to establish Member State specific recommendations regarding environmental taxation, as well as recommendations on waste water management and better recycling. Member States need to be ambitious and seek broader objectives in these areas.

1.8 The EESC is concerned by the fact that the EU's Multi-annual Financial Framework for 2014-2020 contains a significant contradiction: the economic sectors with the highest CO_2 emissions (housing, energy, industry and transport) are not the greatest beneficiaries of EU funding to facilitate the transition to a green economy, and this funding therefore needs to be increased substantially and its efficient and effective application ensured.

1.9 The EESC considers it particularly important to proceed with eco-taxation, including tax incentives for businesses that set up climate change investment funds, provided they are managed jointly with workers.

1.10 With regard to EU trade policy, the EESC believes that in order to avert the risk of industrial relocation, the establishment of tariffs equivalent to CO_2 taxes should be considered for countries that refuse to comply with international agreements on reducing emissions.

2. **Introduction**

2.1 In 2011 the OECD and the UNEP drew up comprehensive reports on the green economy. The ILO launched a Green Jobs Programme and one of the main themes of the Rio+20 conference in June 2012 was the *Green economy in the context of sustainable development and poverty eradication.*

2.2 In 2006, the EU renewed its sustainable development strategy and in 2009 it launched its energy and climate package to reduce greenhouse gas (GHG) emissions by 20 %, increase the use of renewable energy sources to 20 %, and improve energy efficiency by 20 % by 2020 [1]. The EU should aim for further reductions by 2025 and 2030. In 2011, the Commission adopted flagship initiatives entitled *A resource-efficient Europe* [2]; *A Roadmap for moving to a competitive low-carbon economy in 2050* [3]; *An EU biodiversity strategy to 2020* and the *Roadmap to a Resource Efficient Europe* [4].

2.3 The EESC has always supported the idea of greening the economy as a contribution to sustainable development and the need for civil society recommendations on the transition to an inclusive green economy to be at the forefront of EU and national policy, emphasising the need for close collaboration with all social partners. As a result, many of its opinions have referred to its different aspects and the Commission's successive proposals. The EESC has emphasised that the improvement of the green economy and governance cannot be separated from promoting production, employment and sustainable consumption or from the strategy for equality between women and men and the package of EU climate change measures.

3. **The green economy**

3.1 An inclusive green economy should strike a balance between economic prosperity, greater social cohesion and the conservation and rational use of natural resources, which ensure the wellbeing of current and future generations. It sets out to dematerialise production, which means decoupling economic growth from the use of natural resources and the generation of pollution and waste.

3.2 According to the ILO, green jobs are jobs that reduce the environmental impact of businesses and economic sectors to sustainable levels, thereby helping to reduce the consumption of energy, raw materials and water, and to a low-carbon economy and to reduced GHG emissions. The concept of 'green jobs' is fairly fluid since the boundaries between green jobs and non-green jobs depend on technological innovation processes. As a result, green jobs are not simply those associated with a few new emerging sectors, but include all jobs created in connection with the 'greening' of production processes and products in all sectors.

(1) Summarised in COM(2011) 21 final, Annex 1 and in http://ec.europa.eu/clima/policies/package/index_en.htm
(2) COM(2011) 21 final.
(3) http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0112:REV1:EN:PDF
(4) http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0571:FIN:EN:PDF

3.3 The development of the green economy is determined by two main vectors, one of which is driven by climate change policies, while the other derives from growing competition with emerging countries for resources that will continue to grow scarcer and more expensive.

3.4 The green economy is not just a matter of sectoral adjustment between emerging and other more traditional sectors (derived from the technological push towards a low-carbon economy). It includes an ecological modernisation of production and consumption to integrate the objectives of increasing the added value of businesses and environmental sustainability, in terms of resource conservation, energy efficiency and work organisation, not to mention worker-employer relations and the improved productivity of all factors.

3.5 In recent years, the limits of the earth's capacity have become clear, both from the perspective of natural resources available to meet growing demand, and the earth's capacity to absorb waste and pollution.

3.6 The health impacts of climate change should not be forgotten: a growing number of extreme weather events, increasing ozone levels and particles in the atmosphere and its toxicity as a result of higher temperatures and the re-emergence of previously eradicated contagious diseases in Europe.

3.7 Changes to the energy production and transport structure of the main developed economies, and a good number of emerging economies, will focus on the transition from a high-carbon economy to a new low-carbon economy where most energy comes from clean renewable sources, i.e. from sources that do not generate GHG emissions and other hazardous waste.

3.8 This profound overhaul of production, which some are calling a third industrial revolution, will not be neutral in terms of international competitiveness, especially for those countries, such as the majority of EU countries, that are net importers of energy and raw materials. As a result, as early as 2009, the governments of many OECD countries began to launch ambitious stimulus plans, where investment in green infrastructure and R&D&I played a fundamental role, with the dual purpose of promoting production to emerge quickly from the current recession to tackle ongoing production restructuring from a leading position.

3.9 Nevertheless, the financial development of these plans in many EU countries, like the EU budget, has been severely curtailed, partly as a result of 'fiscal austerity' policies. The IMF's chief economist has recognised that the contraction in production resulting from these policies has been far worse than estimated to date. According to a study carried out on 28 countries, since the crisis which began in 2008, the fiscal multiplier is between 0,8 and 1,7 % ([5]).

3.10 This loss of impetus for the green economy could create serious problems for many EU countries since the current technological differential between developed and emerging countries is far narrower and dynamic. European countries as a whole have no guarantee that they will be in the vanguard of developed countries with low-carbon economies, which in the long-term could lead to serious tensions in the EU since it would call into question its capacity to continue to develop an economically advanced and more socially cohesive and environmentally sustainable society. Nevertheless, it must be stressed that the EU holds a strong leadership position in term of technology and production in a number of industrial sectors that are clearly future-oriented.

3.11 Developing the green economy through the necessary investments and incentives will increase opportunities to create jobs in Europe. The areas of production that now currently form the economic foundation of EU countries cannot be forgotten. Many jobs in industries that are currently considered to be very polluting will become green jobs, insofar as they engage in processes that allow them to improve energy efficiency and reduce the consumption of raw materials and the pollution they generate. Examples of this in road transport include companies that develop and manufacture electric and hybrid vehicles and, not to mention public transport and civil engineering work to construct high-speed rail infrastructure, which results in significant energy savings per passenger compared to air and conventional rail transport. Examples in construction include energy efficiency improvements to energy inefficient housing stock. This has to take place as part of a broader process of developing and enhancing social dialogue and consultation, as well as collective bargaining, to ensure good final outcomes in terms of job creation (with regard to both quantity and quality) and equality (in both working conditions and salaries). Nevertheless, only eight EU countries have an official definition for green jobs. This gives rise to different calculations based on different definitions and methodologies.

([5]) IMF Working Paper/13/1. Growth Forecast Errors and Fiscal Multipliers. Prepared by Olivier Blanchard and Daniel Leigh. January 2013.

4. **Civil society cooperation in a fair transition to a green economy in which technical innovation will be decisive for business competitiveness**

4.1 An entirely new aspect of this third industrial revolution is the level of development achieved by the forces of production and the considerable civil society awareness and pressure surrounding issues of environmental sustainability. In Europe, the strong development of ecological organisations, consumer associations, unions, business organisations, and other civil society bodies is the factor that will allow the coming changes to generate an economy that ensures more manageable, sustainable, social and environment-friendly development. This was something inconceivable in previous processes, where technological and production changes were entirely dictated by micro-business decisions.

4.2 The ILO's *Recovering from the crisis: A Global Jobs Pact*, adopted in June 2009, explicitly states that 'Social dialogue is an invaluable mechanism for the design of policies to fit national priorities. It is a strong basis for building the commitment of employers and workers to the joint action with governments needed to overcome the crisis and for sustainable recovery'. An industrial policy that has been agreed by the social partners is vital to coordinate technological innovation efforts and promote the changes required in the production infrastructures of many European sectors affected by the transition to a European low-carbon and resource-efficient economy.

4.3 Technological innovation is part and parcel of the green economy. As a result, the sectors, businesses and technologies that will drive the greening of the economy will receive more public and private financial backing since they will enhance the European economy's global competitiveness. As a result, in order to guide private investment, Deutsche Bank has identified the following sectors as climate change priorities:

— clean and renewable energy production;

— energy distribution infrastructure and management systems;

— with respect to transport systems, a shift towards rail and maritime transport, as well as hybrid cars in the medium term and biofuels that do not compete with foodstuffs for land use;

— green chemistry and research into new materials;

— basic industries that are more energy-efficient and less reliant on the extraction of raw materials and make greater use of new and less polluting materials (including the steel industry, and low-carbon cement production, etc.);

— building activities that improve the energy performance of buildings and their energy-generating capacity;

— waste management;

— agriculture (fertilisers and pesticides, inter alia);

— water purification, decontamination and desalination plants.

4.4 Special attention should be paid to the difficulties European SMEs face in obtaining sufficient financing to make the investments required to achieve eco-innovation.

4.5 For innovation to have a competitive value, the business organisation model must incorporate practices that promote employee involvement. Optimising staff involvement in the organisation of work and business planning is an aspect that clearly allows the development of innovation and increases productivity. This presents a challenge to modernise labour relations and collective bargaining systems and their links with business management.

4.6 Staff participation in businesses is one key aspect that contributes to Europe's technological leadership in many sectors and helps it to maintain its export capacity. It should not be viewed simply from the perspective of wealth distribution; it is actually a decisive aspect of wealth generation, as acknowledged by businesses ([6]). To a large extent, the difficulties involved in innovation have a lot to do with rigid organisational structures that perceive employees as mere tools.

([6]) EPOC Project of the European Foundation for the Improvement of Living and Working Conditions.

5. **The green economy and European policies**

5.1 At the Rio+20 conference in June 2012, the EU advocated an inclusive green economy enabling progress towards sustainable development. The European Commission intends to promote sustainable and inclusive growth and put greening the economy at the centre of its follow-up activities to Rio+20. Governments should develop effective social dialogue to ensure the crucial involvement of civil society in this process.

5.2 In order to help implement the Commission's Flagship initiative and Roadmap to a Resource Efficient Europe the Commission established a European Resource Efficiency Platform in 2012, which will submit an intermediate report in 2013 and a final report in 2014, to work on concrete proposals for a transition to a green economy in the following fields: 'Framework conditions for investment in RE', 'Setting objectives and measuring progress'. To this end, a robust set of indicators needs to be developed, in addition to GDP, to show the outcomes of these policies in the relevant sectors and society as a whole (competitive gains, improved working conditions for workers, recycling percentages, energy and resource efficiency, percentage of renewable energies, lower pollution) and 'Circular economy/greening the economy'.

5.3 It is particularly important to proceed with eco-taxation and reductions in the high subsidies for fossil fuels in many EU countries since the prices of many products and services do not give a good indication of the total cost of production since the cost of pollution is externalised. Voluntary eco-labelling policies have proved inadequate, especially since in a crisis like this one, more and more consumers give priority to a product's price and not its environmental performance. In order to achieve a high level of social consensus for eco-taxation polices, their impact on the competitiveness of businesses and social impact on the public in terms of what we have come to call 'energy poverty' must be factored in and mitigated through complementary policies (industrial, trade, support for disadvantaged social groups). Tax incentives are also needed to reward businesses for investing their profits in reducing CO_2 emissions (through climate change investment funds) and other adverse environmental impacts, provided that this is managed jointly with workers.

5.4 The Commission adopted its proposal for a 7th Environmental Action Programme which sets out the contribution of environment policy to a transition to a green economy. The European Parliament and the Council have to approve the programme and the EESC has contributed by drawing up a specific opinion on it ([7]). However, the EU Multiannual Financial Framework for 2014-2020 contains a significant contradiction: the economic sectors with the highest CO_2 emissions (housing, energy, industry and transport) are not the greatest beneficiaries of EU funding.

5.5 With regard to EU trade policy, it should be borne in mind that, with a view to reducing the risk of relocation, the increase in carbon taxation should entail the establishment of equivalent tariffs for countries that refuse to comply with international agreements on reducing emissions. Although carbon tariffs are barriers to free trade, they have already been accepted by the international community in other cases. The Montreal Protocol on Substances that Deplete the Ozone Layer recognises the possibility of establishing trade restrictions to ensure its enforcement since free trade is not an end in itself but the means to sustainable wealth creation. There is no question that avoiding a global climate change-induced disaster is more important than keeping international markets open to GHG-intensive products.

Brussels, 23 May 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE

([7]) EESC opinion on the *7th Environment Action Programme*, OJ C 161 of 6.6.2013, p. 77-81.