



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 25.1.2006
COM(2006) 20 final

**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT**

**External Action: Thematic Programme For Environment and Sustainable Management
of Natural Resources including Energy**

TABLE OF CONTENTS

1.	Introduction	3
2.	Context	4
2.1.	Supporting the Environment and the Sustainable Management of Natural Resources, including Energy, outside the EU's borders.	4
2.2.	EU and EC policy for the environment and sustainable management of natural resources, including energy.....	5
2.3.	Past experience and lessons learned.....	6
2.3.1.	Overview of current instruments.....	6
2.3.2.	Lessons from the wider international context: the need for leadership, greater coherence, coordinated EU action and the implementation of commitments.....	7
2.4.	Rationale for a thematic approach.....	8
3.	Thematic programme	9
3.1.	Scope of the programme	9
3.2.	Programming principles	10
3.3.	Objectives.....	11
4.	Priorities	11
4.1.	Working upstream on MDG7: promoting environmental sustainability	11
4.2.	Promoting implementation of EU initiatives and internationally agreed commitments	12
4.3.	Better integration by the EU	14
4.4.	Strengthening environmental governance and EU leadership	14
4.5.	Support for sustainable energy options in partner countries and regions	15

Annexes

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

External Action: Thematic Programme For Environment and Sustainable Management of Natural Resources including Energy

1. INTRODUCTION

In an effort to rationalise and simplify the current legislative framework governing external actions of the Community, the European Commission has proposed a set of six new instruments under the Financial Perspectives 2007 to 2013. Three of the instruments (for humanitarian aid, for stability and for macro-financial assistance) are of a horizontal nature and will respond to particular needs and circumstances. The other three (for pre-accession assistance, for supporting the European neighbourhood and partnership policy and for development cooperation and economic cooperation) are designed to implement specific policies and have a defined geographical coverage. In future, these instruments will provide the basic legislative acts for Community expenditure in support of external cooperation programmes, including appropriate thematic programmes, and will replace, *inter alia*, the existing thematic regulations.

According to these proposals, thematic programmes provide distinctive value added and comprise activities complementing geographical programmes, which continue to be the privileged framework for Community cooperation with third countries.¹

The Commission has committed itself to entering into discussions with the European Parliament and the Council on the scope, objectives and priorities of each thematic programme, on the basis of formal communications to both Institutions. The result of this process will provide policy guidelines for the subsequent stages of programming, notably the external thematic strategy papers to be drawn up in accordance with the provisions of the above instruments.

A thematic programme for the environment and sustainable management of natural resources, including energy, is proposed to address the environmental dimension of development and other external policies as well as to help promote the European Union's environmental and energy policies abroad.

Following a consultation process, a number of suggestions from civil society have been incorporated in the thematic programme.

¹ See Communication from the Commission to the Council and the European Parliament on "External Actions through Thematic Programmes under the Future Financial Perspectives 2007–2013" - COM(2005) 324, 3.8.2005.

2. CONTEXT

2.1. Supporting the Environment and the Sustainable Management of Natural Resources, including Energy, outside the EU's borders

In the last 50 years the world's population has almost trebled and humans have changed eco-systems extensively to meet the growing demand for food, fresh water, timber, fibre and fuel. There have been substantial net gains in human well-being and economic development but, as a result of human pressures, two thirds of the planet's key ecosystem services are being degraded or used unsustainably and present an obstacle to achieving the MDGs, as demonstrated by the recent Millennium Ecosystems Assessment².

Further population growth of 2 billion is predicted by 2030 and combined with the long-term economic growth rate needed to pull everyone out of extreme poverty, could result in the world economy growing fourfold by 2050³. It is essential to ensure that natural resources are used sustainably so that production and consumption patterns do not exceed the earth's capacity to supply resources or absorb the wastes and emissions generated by such growth. This will be a fundamental challenge for the world community, and especially for the emerging economies and developing countries including in the context of energy where international cooperation is critical given current pressure on existing resources and threats to global energy supply security.

Environmental problems do not respect political frontiers and globalisation is increasing the need to treat environmental issues in an international context. Sustainable development in Europe requires a concern for and active engagement in the sustainable development of the rest of the planet. The EU also supports environmental protection and the sustainable management of natural resources as part of its efforts to strengthen the social dimension of globalisation.

The EU has taken the lead in reaching international agreement on environmental commitments, and has been very conscious of the need to help developing countries fulfil their resulting obligations. Many are embodied in the Johannesburg Plan of Implementation from the World Summit on Sustainable Development (see Annex 1).

Indeed, the environment matters particularly to people living in poverty. The poor depend directly on a wide range of natural resources and ecosystem services for their livelihoods, and hence on the sustainable management of resources such as water, energy, soils, forests, wetlands, wildlife and fish stocks, and are particularly vulnerable to environmental hazards. Air and water pollution affect the lives of urban populations in particular. Livelihoods can be enhanced by ensuring continued and equitable access to natural resources, including sustainable energy, and by preventing environmental degradation; health can be improved by enhancing air and water quality, safely managing waste water, chemicals and wastes, and combating pollution; while vulnerability can be reduced by mitigating environmental hazards, adapting to climate change, securing sustainable energy supply, conserving the biodiversity on which the poor depend in times of stress and addressing resource-based conflicts. The adverse effects of climate change will increase the vulnerability of the poor and will therefore need to be fully integrated

² <http://www.millenniumassessment.org/en/index.aspx>

³ World Development Report 2003: Sustainable Development in a Dynamic World (World Bank).

into all aspects of development planning. The key challenges most relevant to the thematic programme are summarised in Annex 2.

2.2. EU and EC policy for the environment and sustainable management of natural resources, including energy

The EU Sustainable Development Strategy, which is currently under review, aims to bring about a high level of economic prosperity, social equity and cohesion, and environmental protection, and sets out key international objectives, namely: poverty eradication, combating social exclusion, promoting health, making globalisation work for sustainable development, achieving sustainable patterns of production and consumption, sustainably managing natural and environmental resources, and strengthening governance for sustainable development.

The recent European Consensus on Development⁴ (also referred to as Development Policy Statement or DPS) commits the EU to providing more and better aid. It sets the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals, as the primary and overarching objective of EU development cooperation. Environmental sustainability is MDG 7, and both environmental care and sustainable energy are crucial to many of the other MDGs. Support for the environment and the sustainable management of natural resources, as well as water and energy, are two of the nine key areas for Community development cooperation. It is recognised that developing countries need a long-term integrated approach to energy supply and demand, in which renewable energy and energy efficiency play a key role. The Consensus stressed the need for stronger environmental mainstreaming across EC development efforts and for helping developing countries integrate environment into their development strategies. The role of Community aid in promoting coherence between development policy and other EU policies, including the environment, is highlighted.

The Consensus stresses the EU's determination to assist developing countries in achieving the objectives agreed at the UN conferences, including the Johannesburg World Summit on Sustainable Development and implementing Multilateral Environment Agreements (MEAs). It draws particular attention to the challenge of climate change in the context of development cooperation. It notes the added value of Community contributions to global initiatives linked to the MDGs and global public goods and agrees to consider these on a case by case basis. The important commitments taken in the Consensus are also reflected in other key recent policy documents, including the Strategy for Accelerating Progress towards Attaining the MDGs.

The EU launched important initiatives at the World Summit on Sustainable Development (WSSD) in 2002, including the Water Initiative (EUWI), the Energy Initiative (EUEI) COOPENER⁵, the external dimension of the EC programme "Intelligent Energy Europe"⁶, the Johannesburg renewable energy Coalition and the Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT). These have promoted EU coordination,

⁴ Joint Statement of 22 November 2005 agreed by the European Parliament, Council and Commission.

⁵ Decision No 1230/2003/EC.

⁶ COM(2002) 408 of 17.7.2002.

encouraged policy dialogue with developing countries and emerging economies, civil society and the private sector, and contributed to a range of programmes and actions.

Environmental policy at the Community level is set out in the 6th Environmental Action Programme⁷. This identifies four priorities: tackling climate change, protecting nature and biodiversity, contributing to health and the quality of life, and promoting the sustainable use of natural resources and management of wastes. It highlights a number of strategic approaches, including the integration of environmental policy in all other Community policies and involving stakeholders in decision-making. This approach has helped the EU to take the lead internationally in strengthening global environmental governance, reaching agreement on MEAs, establishing less formal international processes and pressing for mutual supportiveness between trade, external relations, development and environment policies worldwide.

The European Union's energy policy has three main objectives aimed at attaining sustainable development. These are: to give consumers competitive energy prices by increasing competition in energy markets, to ensure security of energy supplies, and to reduce the energy system's environmental impact to acceptable levels. Achieving these objectives requires (1) enhanced dialogue and cooperation with the EU partner countries and regions, on combating climate change and securing energy supplies; (2) the integration of energy considerations in development and poverty reduction efforts; and (3) strengthened policy co-ordination and coherence, as well as support to capacity building for energy decision makers.

The 2004 Enlargement and forthcoming enlargement rounds including the accession of Bulgaria and Romania had and will have important implications for EU environmental policy towards neighbouring states and energy relations with them. Under the European Neighbourhood Policy (ENP) environment and energy cooperation takes on a particular importance given our shared resources and ecosystems. The EU encourages all of the Union's neighbours to take up their full responsibility for improving the environment and to contribute to meeting international environmental objectives.

To be successful, this thematic programme will rely on a good scientific knowledge base, building of capacity to apply new knowledge and promote innovation, and the involvement of scientists and institutions from partner countries, in particular developing countries. Successive EU Research Framework Programmes have helped to provide this foundation, especially through the International Science and Technology Cooperation Programme (INCO).

2.3. Past experience and lessons learned

2.3.1. Overview of current instruments

The EC currently finances programmes on tropical forests, the environment, international environmental processes, and energy in various ways.

A budget line for tropical forests and the environment in developing countries has provided €249 million in support of sustainable forest management and €93 million for

⁷ Decision No 1600/2002/EC of the European Parliament and the Council.

environmental protection over the period 2000-2006. Funds have been focused on innovative and strategic pilot actions.

A recent evaluation of the budget line concluded that lessons learned from projects should contribute to the national policy dialogue, and be used as a basis for the programming of EC country and regional aid and stressed that further efforts were needed to improve take up. The evaluation noted the need to establish long-term policy dialogue with governments, to ensure that the environment and forests are fully integrated into PRSPs and CSPs⁸. The evaluation also highlighted the need for flexibility to finance emerging priorities and EU policy initiatives, such as the EU Action Plan on Climate Change and Development and the EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT).

Additional support of €53 million between 2000 and 2006 is being provided through the LIFE-Third Countries Programme, which aims to establish capacities and administrative structures and support environmental policy and action programmes in third countries bordering the Mediterranean and the Baltic Sea.

The four-year (2003-2006) Intelligent Energy – Europe programme has an external component, “COOPENER”, established as part of the EU Energy Initiative, which has been used to create an enabling regulatory policy, planning and institutional environment for the provision of energy in support of the MDGs. An ex ante evaluation⁹ of the programme highlighted the importance of regional cooperation and multi-disciplinary project teams that will be stimulated through the COOPENER funded projects, as well as the fact that the critical role of energy in development and poverty eradication has been largely overlooked in the recent past.

2.3.2. Lessons from the wider international context: the need for leadership, greater coherence, coordinated EU action and the implementation of commitments

Support for MEAs and other international environmental processes is provided, inter alia, from the €8 million p.a. International Environment budget line. Together with much larger support from the MS, the EC’s assistance has financed over 50% over the core costs and even more of the additional work of the Conventions. Thus, EU funding has been crucial in putting the international environmental architecture in place. That task is now largely done, although continuing support will be needed for governance structures and global environment assessment.

The focus has moved to implementation, which requires resources of a completely different magnitude. The EU will continue to play a key role in the multilateral context.

Although less affluent countries may be strongly committed to internationally agreed objectives, structural barriers, market failures and resource and capacity constraints frequently stand in the way of national implementation. Even when environmental objectives are integrated into national strategies for achieving the MDGs, they do not feature prominently enough to ensure that modest investments are made in insuring

⁸ Poverty Reduction Strategy Papers and EC Country Strategy Papers.

⁹ “Ex ante evaluation of a renewed multiannual Community programme in the field of energy (2007-2013)”, September 2004.

against expensive environmental degradation. Moreover, the benefits of environmental protection tend to be long-term and it is difficult to reconcile them with the short planning horizons dictated by poverty.

If the Union wants to extend its international leadership to promoting implementation, it will need to fit greater support for environmental protection and sustainable resource management including energy into Europe's expanding aid budgets. Support could be provided entirely by the Member States but experience suggests that the EC provides a very appropriate channel. The EU has long proved to be effective in negotiating ambitious environmental and sustainable resource management objectives in international processes. However, there has been less coordination to promote implementation in partner countries. The expertise of MS and the Commission has not been pooled and there has been no visible critical mass of effective EU support. Greater EU coordination is certainly required and greater EC financial involvement would facilitate this.

This does not mean that the EC is the only joint channel. The Global Environmental Facility was established precisely as a joint initiative to help developing countries meet the incremental costs of providing global benefits. However, the latest replenishment negotiations have shown that EU MS want to do more than certain other donors. Moreover, the GEF has a precise mandate and does not cover all important issues.

Innovative and flexible funding mechanisms are urgently required in particular to promote the transfer of environmentally sound technologies. For example, there is interest in using public resources and ODA as levers to attract more resources from the private sector, development banks and financial institutions through public-private partnerships (PPPs). Recent experience from the EUEI, COOPENER and JREC shows that the EU can provide valuable assistance in developing countries and regions as well as in emerging economies, by establishing flexible financial support instruments which complement the approaches that have been put in place in recent years by other donors. This has proved to be effective in enhancing the integration of energy into development policies and strategies and improving coherence.

2.4. Rationale for a thematic approach

Country and regional programmes are the prime instruments for cooperation with third countries, and most support for the environment and the sustainable management of natural resources, including energy, should be channelled through them. This applies especially for issues that are local or regional in nature.

However, a thematic approach is an essential tool for a more coordinated, coherent and effective EU approach and offers great scope to complement and add value to the geographical instruments through:

- A specific focus on issues that are clearly identified as global priorities and the possibility of promoting global public goods and combating global public bads which are difficult to tackle through geographical programmes. This includes political visibility in support of high-profile activities.

- Provision of an effective coordinated means of promoting the EU's own policy priorities by allowing the EU to play a fuller role in international organisations, environmental and energy initiatives, processes and partnerships and provide operational support to Multilateral Environmental Agreements and other organisations.
- Coverage of all partner countries, except the pre-accession and potential candidate countries, thus making it possible to fund transboundary, regional, interregional, subregional and global initiatives, and to support policy dialogue at regional, inter-regional and global level.
- A flexible programming cycle, offering the ability to adapt and adopt approaches that differ from those commonly used in the geographical instruments. It includes flexibility in the choice of implementing partners, allowing partnerships with community-based organisations, research organisations, civil society, the private sector and international bodies and organisations.
- The possibility to enhance the integration of the environment and energy into development policies/strategies and planning. This includes support for the potential for pursuing and scaling-up of innovative actions as solutions to complex challenges, as a first step towards integrating such activities in geographical aid instruments.

Finally, a thematic approach is also needed where objectives cannot be achieved through country and regional programmes, for example in post-conflict situations.

The thematic programme should lead to actions in partner countries and regions which are additional to and coherent with actions funded under the geographical instruments. **Therefore, it is of fundamental importance that the existence of a thematic programme is not taken as justification to leave aside the environment, natural resources and energy when programming country and regional strategies.** Particular attention should be given to the need to integrate both the mitigation of and the adaptation to climate change, as well as sustainable energy options in geographical programmes to promote long-term economic viability and environmental sustainability of EU support.

3. THEMATIC PROGRAMME

3.1. Scope of the programme

While the bulk of the resources available under the Development Cooperation and Economic Cooperation Instrument will have a development focus, the proposed new external policy instruments will also be used to promote the EU's other policies abroad. The DCECI and the ENPI will both be used to fund this thematic programme.

The programme will support measures that address the environmental dimension of external policy, especially development policy, and promote the EU's environmental and sustainable energy policy abroad. The programme will cover all geographical regions except the pre-accession and potential candidate countries. The main focus will be on global actions and measures in developing countries, complemented by actions in

emerging economies, and, to a very limited extent, industrialised countries through policy dialogue and coalition-building.

The thematic programme will also support central policy dialogue, coordination, analysis, and consultation functions of existing and new EU policy initiatives, including the EUWI, EUEI, JREC and FLEGT.

Consideration will be given to the scope for involving the thematic programme in global initiatives, and funds related to global public goods.

Regular contributions to the core costs of MEAs to which EC is a Party will not be financed under the thematic programme but will continue to be paid through a separate budget line under the External Heading.

3.2. Programming principles

Measures under the thematic programme will be based on the following guiding principles:

- **Subsidiarity and complementarity**, with geographical programmes as explained in the rationale for a thematic programme above. Coordination and joint work with MS and other donors will be very important.
- **Coherence** at internal and external level, in line with the Paris declaration on aid effectiveness.
- **Partnership**, by working with a wide range of inter-governmental, state and non-state actors at global, regional, national or local level.
- **Consultation**, including involving civil society and the private sector in the process of multi-annual programming, and through dialogue on new developments and trends.
- **Innovation and dissemination**, with support for innovative policies, strategies and approaches and appropriate ways for their dissemination and replication.
- **Cross-cutting issues** will be taken into account. Women, children and indigenous people are particularly affected by environmental degradation, unsustainable natural resource use and lack of access to sustainable and affordable energy services. Democracy and respect for human rights and equal opportunities between men and women help effective environmental advocacy while good governance is a prerequisite for balancing the pillars of sustainable development.
- **Conflict prevention and resolution.** Natural resources (including energy resources) are a growing source of regional conflicts which threatens social and environmental stability. These conflicts can have a global effect (amongst other effects) as they may impact our energy supplies. In dealing with natural resources one has to take into account if income derived from these resources does not cause or fuel conflict, but rather fosters sustainable development. Specific support for transparency initiatives of extractive industries will contribute to monitor social and environmental consequences. Conscious disaster preparedness can also successfully contribute to the

conservation of the environment and avoid negative impacts on the security of energy supplies.

The programme will be implemented in accordance with the 2000 Reform of the Management of External Assistance which foresees inter alia, deconcentration of management responsibilities to the delegations where appropriate.

Four-year (2007-2010) and, subsequently, three-year (2011-2013) Thematic Strategy Papers (programming documents) will be decided by the Commission following the Comitology procedures.

On the basis of this multi-annual programming, the Commission will produce annual work plans which establish priority actions to be supported, specific objectives, anticipated results as well as indicative amounts.

As for the mid-term review, an external evaluation of the operations during the first three-year period (2007-2009) will be carried out to provide input to the preparations for the second Thematic Strategy Paper (2011-2013). The reports will be transmitted to and discussed with Member States and the European Parliament.

3.3. Objectives

The objectives of the programme are to:

- assist developing countries to achieve the Millennium Development Goals and notably to make progress towards MDG7 on environmental sustainability by providing tools and examples of good practice and innovative approaches;
- promote environmental integration and sustainable management of natural resources, including energy across all EC external assistance;
- promote coherence in EU policies that affect the global environment and the global security of energy supplies or those of partner countries;
- enable the European Community and assist the EU to meet their international obligations and commitments under MEAs and other processes, especially with regard to assisting developing countries;
- promote international environmental governance and EU environmental and energy policies abroad;
- support sustainable energy options in partner countries and regions.

4. PRIORITIES

The thematic programme will provide support under the following broad headings:

4.1. Working upstream on MDG7: promoting environmental sustainability

Issues to be addressed include:

- **Capacity building for environmental integration in developing countries**, including capacity to integrate the environment in regional and national development strategies and improve environmental policy analysis; capacity to start implementing obligations and commitments under global or regional environmental conventions, initiatives and processes; and capacity to strengthen natural resources research and management, including energy.
- **Supporting civil society actors and consultative platforms**, which play an important role in policy advocacy, and action to promote environmental protection and sustainable resource use, including energy.
- **Environmental monitoring and assessment** to improve the quality of data and indicators and thereby raise awareness and allow informed policy-making.
- **Developing innovative approaches**, such as payment for environmental services, environmental fiscal reform, public-private partnerships, innovative market-based policy instruments, science-supported policy approaches and the promotion of environmentally beneficial technologies and mechanisms for transfer of technologies (know how) to developing countries.
- **Drawing on EU experience**. Twinning and other structures established to disseminate EU approaches could be used to share our experience and establish strong ties with key countries.

4.2. Promoting implementation of EU initiatives and internationally agreed commitments

The EU favours country-owned and country-driven external assistance. Yet there are structural reasons why the environmental dimension of sustainable development tends to be given lower priority by our partners and this affects the long-term viability of development choices. Support given through the thematic programme should seek to encourage and enhance the efficiency of mainstreaming environmental considerations in national priority setting. In the case of environmental global public goods, the choices made on pursuing the environmental dimension of sustainable development and the degree of implementation of internationally agreed commitments have impacts on all countries. Candidates for thematic support include:

- **EU initiatives for sustainable development**. The thematic programme will complement geographical support and underpin existing EU initiatives, in particular through facilitating policy dialogue, coordination, analysis and consultation processes. Current initiatives, notably EUWI, EUEI, JREC and FLEGT, together with possible actions on emerging policy priorities provide frameworks for cooperation between the EU and partner countries, including governments, private sector and civil society. They also provide an opportunity to leverage private sector equity support by means of innovative approaches.

- **Climate change.** Implementation of the EU Action Plan on Climate Change in the Context of Development Cooperation¹⁰, especially mainstreaming actions related to the four strategic objectives of the Action Plan. In addition, implementation of the Strategy for Winning the Battle Against Global Climate Change¹¹, particularly through capacity building, analysing and raising awareness of mitigation and adaptation possibilities and needs in key economic sectors, support to developing countries' efforts to reduce greenhouse gas emissions and leverage investment in clean technologies and the preparation of adaptation plans.
- **Biodiversity.** Support for the 2010 target on significantly reducing biodiversity loss, especially in areas of high biodiversity. Measures will be based around the EU Biodiversity Action Plan for Economic and Development Cooperation, including strengthening the capacity of the relevant agencies involved in the conservation and sustainable use of biodiversity, including agricultural biodiversity. Attention will also be given to capacity building on bio-safety.
- **Desertification.** Priority actions identified under the UNCCD, such as the provision of tools to assist in the mainstreaming of the Convention objectives in development strategies.
- **Forests.** The programme will support interventions that enhance the contribution of forests to sustainable development, such as community-based management of forest resources and conservation areas, and sector-wide processes of policy reform including national forest programme processes. Innovative approaches linking forests to climate change, conflict prevention and health will be encouraged.
- **Illegal logging and forest governance.** Poor governance, corruption and illegal logging are key constraints to the sustainable and equitable management of forests, and thus to the benefits flowing to society and future generations from forest goods and services. The EC has undertaken to improve forest sector governance and tackling illegal logging through FLEGT.
- **Fisheries and marine resources.** The programme will focus on strengthening fisheries and marine management and governance, particularly transboundary issues and environmental measures that enhance the sustainability use of fisheries and marine resources, as well as protection of coral reefs and coastal zone management.
- **Compliance with environmental standards (for products and production processes).** Producers in developing countries have to meet increasingly stringent standards, including sustainability parameters, for export markets in developed countries. Eco labels and private certification schemes, meeting internationally agreed standards, are playing an increasing role in developed country export markets. Assistance could be provided to help producers in developing countries to comply with these new requirements.

¹⁰ Action Plan to accompany the EU Strategy on Climate Change in the Context of Development Cooperation 1 (Action Plan 2004-2008), agreed by the Council on 22 November 2004.

¹¹ Commission Communication "Winning the Battle against Global Climate Change" of 9 February 2005 - COM(2005) 35.

- **Sound chemicals and wastes management.** This area is particularly neglected in development cooperation and new initiatives are underway to increase the priority given to them. These include the Strategic Plan for the Basel Convention on hazardous wastes, the Rotterdam and Stockholm Conventions on chemicals and the forthcoming Strategic Approach to International Chemicals Management.
- **Air pollution.** In particular in large cities in developing countries this is a major health hazard. The EU can offer expertise to help improve an understanding of the issue and the regulation of trans-boundary air pollution.
- **Sustainable production and consumption.** Emerging economies in particular are keen to benefit from EU experience on policy approaches and the use of different instruments such as legislation and economic measures to ensure that rapid growth does not lead to unacceptable environmental and energy security impacts.

4.3. Better integration by the EU

- **Poverty and the environment under new forms of aid delivery.** A shift towards budget support and donor harmonisation means that new approaches are needed to integrate consideration of impacts on the environment in policy-making. Specific measures will be required to address poverty and environment linkages, to improve donor coordination, and to undertake broad strategic environmental assessments.
- **Strengthening expertise for the EU and promoting coherence.** The new DPS calls on the Commission to enhance its analytical capacities on a number of development issues and to act as a resource for the EU, reflecting the Paris Declaration on Aid Effectiveness. Enhanced capacities could also promote coherence between EU policies that affect the global environment or the environment of partner countries.
- **Integration and deconcentration.** As part of aid management Delegations are expected to ensure that specialist help is available where needed and this reinforces the case for working in conjunction with the MS. The thematic programme could help to further enhance the required expertise in both the environment and energy sectors.

4.4. Strengthening environmental governance and EU leadership

The EU has a vital interest in strong international environmental governance. Better governance should help all governments to understand and deal with the issues and increase the priority given to sustainability. This requires:

- **Working for coherence between the environmental and the other pillars of international governance for sustainable development.** The EU gives high priority to a more coherent institutional framework for environment activities in the UN system. Transforming UNEP into a UN Environment Organisation would create the potential to be more effective in promoting policy coherence at global level.
- **Assisting regional and international environmental monitoring and assessment.** Support is needed for the effective participation of scientists and experts from less affluent countries, and disseminating results to decision-makers. This would include international cooperation on environmental-economic modelling along with capacity

building for environmental policy analysis, and capacity building for space-based monitoring and in-situ information technologies systems.

- **Providing additional support to the Secretariats of MEAs** to enhance international environmental governance and the EU's leadership role. Support could give the Secretariats access to additional expertise, and hence accelerate their work and improve coherence, and encourage the Secretariats and UNEP to work better between themselves and with UN development agencies and the IFIs. There is a need to support the participation of developing countries in MEA meetings.
- **Promoting effective compliance and enforcement measures for MEAs**, including by supporting monitoring and advocacy groups. Developing countries understandably want capacity building assistance rather than punitive measures to improve compliance.
- **Supporting international environmental and energy organisations and processes**, including UNEP and the UN Commission for Sustainable Development, the UN Forum on Forests, the Strategic Approach to International Chemicals Management, the International Panel on the Sustainable Use of Resources, OECD, the International Energy Agency, discussions on long-term cooperative action to address climate change, trade and environment processes, and partnership initiatives.
- **Supporting civil society and environmental and energy policy think tanks**. International and regional civil society groups and environmental policy think tanks have important international advocacy functions and build local capacity in developing, and neighbouring countries through national partners.
- **Improving the efficiency of international negotiations**. Building negotiating capacity in developing countries and improving the EU's outreach through dialogue with partners would pay dividends.

4.5. Support for sustainable energy options in partner countries and regions

A coordinated approach is required which builds on the former COOPENER actions the core functions of the EU Energy Initiative, and the EU-sponsored Johannesburg Renewable Energy Coalition. Key objectives should include institutional support related to improving access to sustainable energy services for poverty alleviation in developing countries and regions, as well as support for actions in emerging economies which aim to improve the security of global energy supplies and protect the global environment. Support given through the thematic programme should primarily address:

- **Integration of sustainable energy** in development plans and strategies (notably poverty reduction strategies) at regional, national and local levels.
- **Developing institutional support and technical assistance**, as well as strengthening capacity in policy development, regulation and energy planning, including through support for twinning initiatives to share the EU experience and to establish links with key countries, and for well targeted public procurement.

- **Creating a favourable legislative and policy framework to attract new business and investors** in renewable energy and in efficient energy production and use, as well as to pave the way for technology leapfrogging in these fields.
- Enhancing the **role of energy as a means to create income generation for the poor**, and to protect/increase income generation for other energy end users by setting up a critical mass of human capital with up-to-date knowledge and expertise in the private sector, in particular in the energy services and targeted end-use sectors.
- Promoting **innovative financing approaches**, including public and/or private sustainable energy partnerships and mechanisms, to encourage technology transfer and deployment.
- **Encouraging regional cooperation** between Governments, non-governmental organisations and the private sector in the above areas, and preparing the way for regional interconnection infrastructure that can produce economies of scale, especially in small countries, for example, as proposed in the new EU Strategy for Africa¹². Close coordination with other donors and lending programmes will be essential for the successful implementation of this priority.

These initiatives should be implemented in close relation with the future EC programme “Intelligent Energy – Europe”¹³, which is part of the 2007-2013 Competitiveness and Innovation Framework Programme, since they provide an opportunity to reflect EU policy externally.

¹² COM(2005) 489.

¹³ COOPENER II.

ANNEX 1

Annex 1: Important Commitments by the EU and the International Community

The European Consensus on Development

- Primary and overarching objective of EU development cooperation is the eradication of poverty in the context of sustainable development, including pursuit of the MDGs
- Help developing countries to achieve the objectives agreed at the UN conferences.
- improving policy coherence for development in order to accelerate progress towards attaining the MDGs, COM (2005)134 final.

Climate (Kyoto Protocol)

- Developed countries are committed to reducing their collective greenhouse gas emissions by about 5% below 1990 levels in the period 2008 – 2012. The EU 15 target is -8%.

Biodiversity and Natural Resources (JPoI)

- Achieve, by 2010, a significant reduction in the current rate of loss of biological diversity.
- Maintain or restore depleted fish stocks to levels that can produce the maximum sustainable yield by 2015.

Forests (EU commitment at WSSD)

- FLEGT is a political commitment to improve forest governance and eliminate illegal logging

Desertification (JPoI)

- Integrate measures to prevent and combat desertification in poverty and sustainable development strategies

Chemicals (JPoI)

- Aim, by 2020, to use and produce chemicals in ways that do not lead to significant adverse effects on human health and the environment.

Water (MDG 7, JPoI and EU commitments at WSSD)

- Develop integrated water resources management and water efficiency plans by 2005.
- Halve, by 2015, the proportion of people without access to safe drinking water and basic sanitation
- The EU Water Initiative is a political commitment by Member States and the Commission to contribute to the achievement of the MDG and WSSD targets for water and sanitation and provides a framework for dialogue with partner countries and stakeholders on sector policies and priorities.

Energy (JPoI and EU commitments at WSSD)

- Improve access to reliable and affordable energy services for sustainable development, sufficient to facilitate the achievement of the Millennium Development Goals and meet the growing need for energy services in the longer term to achieve sustainable development (JPoI Paras 9 & 20).
- The EU Energy Initiative is a long-term political commitment by Member States and the Commission to increase the focus on the role of energy in poverty alleviation and sustainable development, as well as in facilitating the achievement of the MDGs.
- The Johannesburg Renewable Energy Coalition. A coalition of 88 governments are cooperating to substantially increase the global share of renewable energy through the market on the basis of ambitious time-bound targets and regular reviews of progress.

Sustainable Development (JPoI)

- Encourage and promote the development of a 10-year framework of programmes to accelerate the shift towards sustainable consumption and production.

Governance (JPoI and the UN Millennium Summit Review)

- Adopt new measures to consolidate institutional arrangements for sustainable development at international, regional and national levels.
- Agreement to explore the possibility of a more coherent institutional framework to allow more efficient environmental governance within the UN system.

Research: the EU Framework Programmes for Research (FP6 and FP7):

- The new framework programme for 2007 - 2013 will support relevant research, and provide background for “knowledge based approach”.

ANNEX 2

A non-exhaustive list of key environment and sustainable natural resource issues, including energy, which are of concern to the EU

In the last 50 years the world's population has almost trebled and humans have changed ecosystems more extensively than in any similar time period to meet the growing demand for food, fresh water, timber, fibre and fuel. For example, between 1960 and 2000 world food production increased by about 2.5 times, water use doubled, timber production grew by 50% and hydropower capacity doubled¹⁴. In the same period atmospheric concentrations of carbon dioxide grew by 20% above pre-industrial levels. As a result of these pressures, 15 of the 24 ecosystem services examined by the Millennium Ecosystem Assessment are being degraded or used unsustainably and present an obstacle to achieving the MDGs. These services include provision of capture fisheries, wild food, wood fuel, genetic resources, natural medicines and fresh water, as well as air and water purification, erosion control and the regulation of natural hazards and pests.

Further population growth of 2 billion is predicted by 2030. Combined with the long-term economic growth rate required to pull everyone out of extreme poverty (3.6% per capita p.a. in low income countries), this means the world economy could grow fourfold by 2050¹⁵. It is essential to ensure that natural resources are used sustainably so that production and consumption patterns do not exceed the earth's capacity to supply resources or absorb the wastes and emissions generated by such growth. This will be a fundamental challenge for the world community, and especially for the emerging economies and developing countries. Efforts over the next 10 years to make patterns of development more sustainable will be crucial in affecting the long-term outcome.

The main issues are highlighted in more detail in the following paragraphs.

Climate change. During the last century the earth's average surface temperature rose by around 0.6°C and is predicted to rise by a further 1.4 to 5.8°C by 2100¹⁶, with a consequent rise in sea levels of 9 to 88 cm threatening island and coastal communities, and greater frequency and severity of extreme weather events. Predicted temperature rises will have profound consequences for water cycles, agriculture, disease and biodiversity, and the number of environmental refugees is expected to rise to 50 million by 2010 and up to 200 million by 2050 as a result¹⁷. Addressing climate change requires international cooperation aimed at achieving the existing Kyoto Protocol Commitments, but also to develop long-term cooperative action. Mitigation of greenhouse gas emissions is crucial, especially in industrialised countries and emerging economies. Substantial changes are needed in how the world produces and uses energy, as is technological change in all economic sectors. In view of the already unavoidable impact of climate change, in many developing countries cooperation will need to concentrate on adaptation and on reducing vulnerability to climate change but should also stimulate investment in clean technologies.

¹⁴ Millennium Ecosystem Assessment.

¹⁵ World Development Report 2003: Sustainable Development in a Dynamic World (World Bank).

¹⁶ Intergovernmental Panel on Climate Change, 3rd Assessment Report.

¹⁷ Myers, N. (2005) Environmental refugees: an emergent security issue, 13th Economic Forum, Prague 23-27 May.

Biodiversity. Maintaining biodiversity at genetic, species and ecosystem levels offers many local and global benefits. Healthy and fully-functioning ecosystems provide a wide range of essential goods, such as foods, fuels, building materials and medicines. They also provide a variety of services, such as cycling nutrients, creating fertile soils, fixing carbon, purifying air and water, providing genetic material for crops and livestock, pollination, controlling floods and erosion, and checking pests, diseases and alien species. Ecosystems support primary production (agriculture, fisheries, forestry), secondary production (textiles, pharmaceuticals) and service industries (tourism, well-being, recreation). The costs of failing to protect biodiversity are immense – in terms of lost goods and services to these sectors of the economy. Further, restoring degraded ecosystems, or substituting artificially for these biodiversity goods and services where natural systems fail is frequently much more costly than looking after them in the first place. Poor people in developing countries, with little access to markets, are particularly reliant on ecosystem goods and services.

Water. One third of the world’s population live in countries that are water-stressed¹⁸ and this proportion is likely to increase to two thirds by 2025 with implications for peace and security. Over 1.1 billion people have no access to safe drinking water and 2.4 billion lack improved sanitation. Integrated water resources management is essential worldwide if human needs for consumption, agriculture and industry are to be balanced with the water needs of healthy ecosystems. Polluted ecosystems and poor water management have a detrimental effect on economic growth, health and livelihoods. Improving access to safe water and sanitation and improved water resource management are key steps to achieving many of the Millennium Development Goals (MDGs).

Forest management. Natural forests are centres of biodiversity and important stores of carbon and disturbing these ecosystems contributes to biodiversity loss and climate change. An estimated 1.6 billion poor people rely heavily on forests for their livelihoods, including food security (bushmeat, fruits and vegetables), health (medicinal plants), shelter (building materials), and energy (fuelwood and charcoal). Forests also provide environmental services such as watershed protection. Forest-based industries are an important source of employment and export revenues, and are a driver of economic growth. Rapid global deforestation and poor governance jeopardise this valuable resource endowment.

Fisheries and marine resources. Lack of effective governance often results in over-exploitation of the resource base, threatening the nutritional status of major population groups, particularly people from the poorest African and South Asian countries, for whom fish and marine products constitute an essential part of their protein intake. Coral reefs are major centres of biodiversity and important in protecting shorelines, which are often densely inhabited and the basis for considerable economic development through eco-tourism.

Desertification and land degradation lead to the loss of productive land. An estimated 900 million people across the world live in ‘drylands’, which cover about 30% of the earth’s land surface. These drylands, which have low and variable rainfall, are very fragile. Due to their low productivity, they are also often politically and economically marginalised and receive little attention from most governments. Surveys show that nearly 70% of drylands worldwide suffer varying degrees of degradation and desertification.

¹⁸ Countries using more than 10% of total supply where water shortage is likely to impede development.

Use of natural resources in growing economies. The links between growth and natural resource use change depending on the absolute level of development. In poor societies the links between poverty and natural resource degradation often lead to a vicious circle of negative growth, increasing poverty and further over-exploitation of the natural resource base. As economies develop, different patterns set in and positive economic growth brings a new set of environmental pressures. Rich economies such as the EU have an ecological footprint that extends beyond its borders. Indeed, the EU contains 7% of the world's population but consumes 16% of the products of the earth's biocapacity¹⁹. In emerging economies and even in developing countries with significant wealthier sectors of society, the environmental effects of affluence are of growing concern. Natural resources need to be managed sustainably to break the link between economic growth and environmental degradation. This needs to be done by taking into account the full life cycle of resource use, covering their supply, use phase and the final disposal of waste. New EU policies, including the Thematic Strategies on resource use, waste and Integrated Product Policy, build on this logic, aiming to ensure that the negative impacts of resource use and products are reduced without simply shifting them to other countries. These policy developments are of great interest to emerging economies.

Bio-technology promises remarkable advances in medicine, agriculture and other fields and may have the potential to decrease pressure on land use, increase sustainable yields on marginal lands and reduce the use of water and agro-chemicals in agriculture. However, genetic engineering is a very new field and there are potential adverse effects on biological diversity and risks to human health. These could be of particular concern in developing countries which house most of the wild relatives of domesticated crops but lack capacity to assess and manage risks and thus to ensure bio-safety.

Chemicals and pesticides can bring enormous benefits to man and are the products of rapidly growing and globalising industries. However, when badly managed they are also the cause of major health and other problems, especially in developing countries. Uncontrolled transport and storage of **hazardous waste** and unsound management of all wastes also bring threats to the environment and human health. The costs of unsound chemicals and toxics management are widespread and borne disproportionately by the poor; yet least developed countries are often unaware of the economic burdens posed by poor management.

Energy access. Nearly two billion people do not have access to modern energy services. Developing countries' supplies of energy are insecure and unreliable: firewood, charcoal, crop residues and animal wastes account for approximately 30% of primary energy use; electricity supplies are limited and often erratic; and net oil importers are particularly vulnerable to high global oil prices. Better access to secure, affordable and sustainable energy services is essential for achieving the MDGs, for the eradication of poverty, and to support the productivity increases and economic growth both in rural and in urban areas.

¹⁹ The European environment: State and outlook 2005. European Environment Agency - NB: figures quoted include Switzerland.

Secure and affordable energy supplies. The volatility of energy prices (notably oil and gas) brings important economic impacts to all countries and the businesses on which their economies depend, especially those countries with emerging economies. Working together to establish plans, strategies and systems for ensuring secure and sustainable energy services at affordable prices, without causing excessive damage to either the local or the global environment, is therefore an important priority for both the public and private sectors in the EU and for its neighbours and partners worldwide.

Air Pollution is closely related to the burning of fossil fuels, in particular coal, and thus there are clear links between air pollution and policies on energy and climate change. Such pollution is growing rapidly in emerging economies. Tackling air pollution brings major health benefits not only in those economies but even in poorer, biomass-dependent developing countries. Nearly 1.6 million people die each year from the effects of indoor pollution from fuelwood and other solid fuels²⁰. Air pollution travels long distances. While emissions from the EU are decreasing there is increasing evidence that the long range transport of air pollution into the EU is increasing. This is one of the reasons why the Commission is co-chairing a “Task Force on Hemispheric Transport of Air Pollution”, which looks at the technical/scientific issues surrounding hemispheric contributions to air pollution. Recently the UNEP has drawn attention to the trans-boundary effects of air pollution from the emerging economies of Asia.

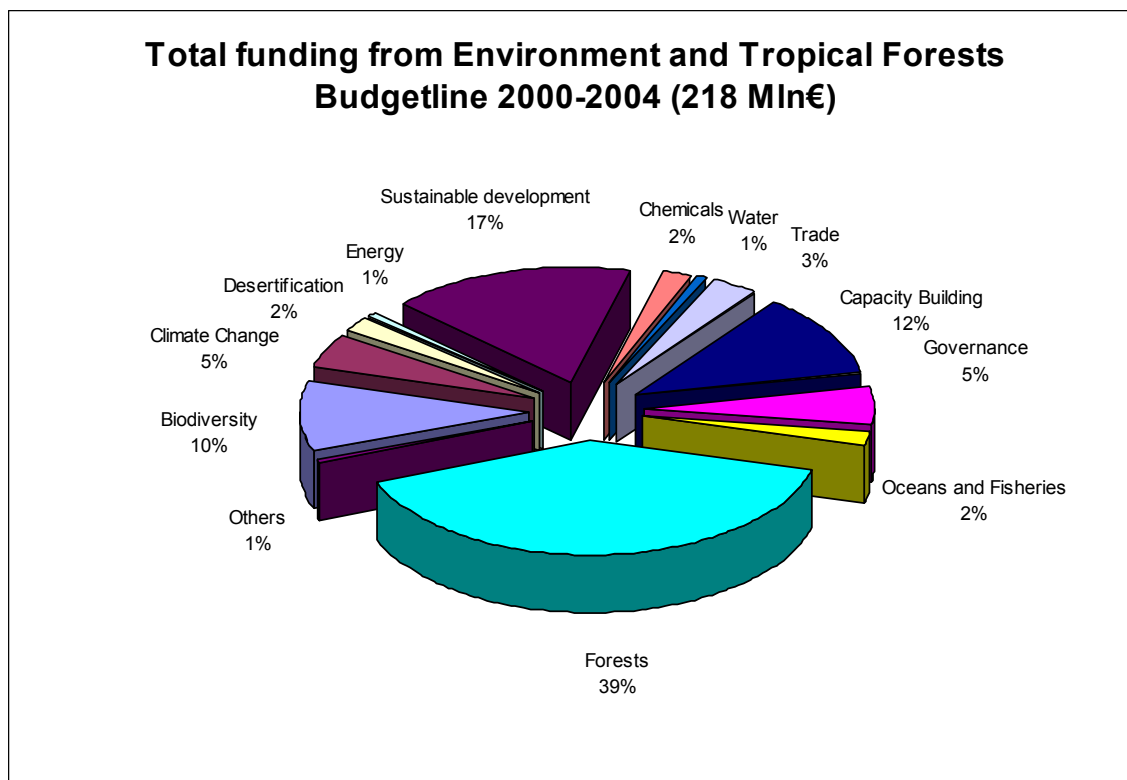
²⁰ WHO (2000) *Air pollution*, WHO Fact sheet 187.

ANNEX 3

Current Funding instruments

Regulations (EC) No 2493/2000 and (EC) No 2494/2000 on the Environment in Developing Countries and Tropical Forests and Other Forests in Developing Countries expire in 2006. These budget lines were first created in 1992 to implement pilot actions and strategic studies and merged in 2001 into budget line 21 02 05. The emphasis is on work in developing countries that fosters sustainable forest management and environmental protection and allocations are made both through calls for proposals aimed at NGOs, among others, and by way of targeted projects undertaken by IGOs in support of EC policy objectives.

Table: funding by different sectors (budget line 21-02-05, 218 M € between 2000-2004)



Note: for sectors such as energy, this graph does not reflect the overall share of granted support. In fact, support to energy projects has also been given in the frame of other headings like under “forest”, “sustainable development” and others.

The Life-Third countries part of Regulation (EC) No 1682/2004 expires at the end of 2006. It is active in non-EU countries around the Mediterranean and Baltic seas and helps to establish the capacities and administrative structures needed in the environmental sector and in the development of environmental policy and action programmes. Priority is given to projects that promote cooperation at trans-frontier, trans-national or regional level. The Commission's International Environment budget line 07 02 01 commits between €6 and 8 million a year, of which an increasing share (currently about €2 million) is needed for regular contributions for the core costs of MEAs. The legal basis for regular contributions is provided by the decisions on EC ratification while the rest of the line is based on the Annual Work Programme of DG Environment. The line supports global and European regional MEAs and other international environmental processes. For example, using the budget line and other resources, the EC pays for preparatory analytical work required for negotiations, helps developing countries to participate in environmental meetings, and holds dialogues with key partners on major issues.

Budget Lines 06.04.02 and 06.01.04.09 "COOPENER" funds initiatives that promote renewable energy sources and energy efficiency in developing countries, and address sustainable energy services for poverty alleviation in the context of the EUEI. €5 million p.a. was committed on these budget lines in 2003-05.

List of Acronyms

DCECI	Development Cooperation and Economic Cooperation Instrument
DPS	Development Policy Statement adopted by the Council, European Parliament and the Commission on 22 November 2005
6th EAP	Sixth Environmental Action Programme, Decision 1600/2002/EC, OJ L242/1 of 10/09/2002
EC	European Community
ENPI	European Neighbourhood Policy Instrument
EUEI	European Union Energy Initiative
EUWI	European Union Water Initiative
EU	European Union
FLEGT	Forest Law Enforcement, Governance and Trade
GEF	Global Environment Facility
FP6	Framework Programme for Research no 6
IEA	International Energy Agency
IEE	Intelligent Energy - Europe
IFI	International Financial Institution
IISD	International Institute for Sustainable Development
IUCN	World Conservation Union
IPA	Pre-Accession Instrument
IPCC	Inter-governmental Panel on Climate Change
JPoI	Johannesburg Plan of Implementation adopted at WSSD
JREC	Johannesburg Renewable Energy Coalition
MEA	Multilateral Environmental Agreement
MDG	Millennium Development Goals
PEP	Poverty-Environment Partnership
PRSP	Poverty Reduction Strategy Paper
NGO	Non-Governmental Organisation
SAICM	Strategic Approach to International Chemicals Management
UNCBD	United Nations Convention on Biological Diversity
UNCCD	United Nations Convention on Combating Desertification
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Program
UNEP	United Nations Environmental Programme
UNFF	United Nations Forum on Forests
UNITAR	United Nations Institute for Training and Research
WRI	World Resources Institute
WWF	World Wide Fund for Nature
WSSD	World Summit for Sustainable Development
ACP-EU	Africa – Caribbean – Pacific - European Union
EDF	European Development Fund
AMCOW	African Ministerial Conference on Water
FEMA	African Ministers for Water and for Energy
AFLEG	African Forest Law Enforcement and Governance