A. Introduction – market-based instruments and resource efficiency

Green Budget Europe welcomes the Commission’s holistic approach to the development of a roadmap for resource efficiency, which should relate to and be anchored in all EU policies and actions.

Increasing Europe’s resource efficiency is an opportunity for the EU and for its companies and citizens. Indeed, a study for the UK government estimated that low cost or no cost investments in material resource efficiency could save €20 billion (£18 billion) per year in the UK alone (Defra 2011). Resource efficiency is a win-win, giving savings for consumers and businesses, while lessening the pressure on the world’s natural resources.

Any policy package which sets out to bring about a sustainable and rapid shift towards a resource efficient economy should include market-based instruments (MBI). Not least because, as pointed out by the Commission in its introductory document to this consultation, market distortions are one of the major obstacles to enhanced resource efficiency. MBI are a useful policy tool in this regard because they have the potential to reduce market distortions associated with the underpricing of resource use, i.e. the failure of resource prices to reflect the environmental and social costs associated with their use. MBI increase resource prices and make prices reflect the relative scarcity of a resource, and can help internalise the external costs of the consumption of a particular resource in its price. In turn, these higher prices create a financial incentive for more efficient resource use.

In the context of resource efficiency, MBI have a number of specific advantages. First, MBI represent one of the most effective ways of encouraging diffuse and diverse groups of people to change their behaviour in response to a price signal or price incentive to use resources more efficiently. Second, they create dynamic incentives for improved resource efficiency, particularly if resource tax rates are progressive (e.g. they can include a so-called “escalator”) and indexed to inflation.

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1 We would like to acknowledge and warmly thank the EEB / Friends of the Earth Europe for their position paper on the resource efficiency roadmap, upon which this consultation response is based.
Third, MBI offer flexibility to business and consumers, to respond to increased prices in the most efficient way available to them, and the legislator is not required to have an in-depth knowledge of which technologies should be used, or where changes can be most efficiently and effectively made.

The aim of the resource efficiency roadmap must be to decouple economic growth and resource use while ensuring efficiency gains are not lost as a result of increased consumption (the so-called ‘rebound effect’). But reversing this trend by improving energy and resource efficiency at a higher rate than GDP growth, while avoiding rebound effects, is a major challenge. Ernst von Weizsäcker has suggested one possible solution to this problem, namely increasing energy or resource prices in proportion to the efficiency gains of the previous year by means of annual increases in energy and resource taxation (Weizsäcker et al 2009). A resource and energy tax escalator such as this would create a robust and dynamic price signal in favour of constantly improving energy and resource efficiency and energy and resource conservation.

B. GBE proposals for the implementation of the Resource Efficiency Roadmap in the EU

1. A set of indicators to measure resource use in order to monitor resource use levels and to develop reduction targets.

This should include immediate adoption of four resource use indicators: global land footprint; overall material use; water footprint; and carbon footprint. These indicators are reasonably easy to measure, yet give an important indication of our resource use and its impacts (Friends of the Earth Europe 2010; Sustainable Europe Research Institute 2009).

2. These indicators to be part of the EU’s overarching policies, e.g. the Economic Semester, as well as being incorporated in impact assessment of policy options

For resource efficiency to be a political and economic priority, it must become an overarching goal for the EU, and be a central element of high-level policies. Specifically:

- The resource use indicators should be part of the Europe 2020 headline indicators used in the Commission’s Annual Growth Survey that kicks off the Economic Semester, starting in 2012,
- The resource use indicators should be part of the impact assessment of policy proposals (including e.g. the programming of agricultural and cohesion funds), so that reducing resource use becomes integral to the policymaking process,
- The Commission should provide guidance and tools to enable Member States, companies and others to use the resource use indicators.
3. **The Commission should develop binding targets to reduce resource use and waste by 2013**

Resource efficiency targets should be established for specific sectors such as transport, material use in industrial sectors and waste, including binding recycling targets. These should be time-bound and measurable, with detailed indicators, implementation strategies and institutionalised monitoring of progress towards the achievement of these targets (CEE Bankwatch 2010).

The EU should also set ambitious binding targets and create legal and economic drivers – by means of resource pricing – towards the top of the waste hierarchy, as using financial resources in line with the waste hierarchy has been shown to improve resource efficiency. This would emphasise the prevention of waste production, reuse of waste materials and separate collection through recycling and composting (CEE Bankwatch 2010). Such a strategy will produce multiple dividend-sand has clear economic, social and environmental advantages:

- Around half of all of the key recyclables available in the municipal, commercial and industrial waste streams are being sent for disposal in the EU27, when this material would have had a minimum potential monetary value of €5.25 billion (Friends of the Earth Europe 2009).
- If the EU27 increased recycling rates to 70%, it could create at least 563,000 net new jobs (Friends of the Earth Europe 2010b).

4. **Product policy needs to be strengthened, also using MBI, to ensure the way we produce and consume protects our resource base**

1. **Top runner**

A top runner approach to product policy should be adopted, meaning that the most efficient products become the standard new, whilst less efficient products are removed from the market. We need to create such a continuous market dynamic by linking more push instruments, by removing the worst performing products of the market, and pull instruments, by rewarding the best ones and accelerating their market penetration.

2. **Integrated Product Policy (IPP)**

The EU’s Integrated Product Policy (IPP), including the Ecodesign Directive, should be focus of the European Union’s efforts to enhance resource efficiency in manufactured products. As more than 80% of the environmental impact of a product is determined at the design stage, measures to improve design have a fundamental impact on the resources consumed during the lifecycle of a product.

Similarly, Energy Labelling should act as a basis for extending environmental information available about products, including information on resource and energy use throughout the product lifecycle.

Mandatory targets for national governments and the EU institutions should be set for Sustainable Public Procurement (SPP), including minimum requirements for the resource efficiency of products and services.
3. **Extended producer responsibility**

Likewise the EU should strengthen product policy through extended producer responsibility (EPR), which is needed to internalise all of the product environmental costs. This will ensure that the life cycle externalities of a product are all integrated into a product’s price, thus providing producers with a real incentive to consider the environmental impacts of their products throughout their entire life cycle.

4. **Further measures to improve resource efficiency in consumption**

The EU should consider the following market-based measures to change consumer behaviour:

- A shift of taxation from labour to resources
- Packaging taxes
- Deposit-refund schemes
- ‘Pay as you throw’ schemes for waste
- Water charging based on metered consumption
- Progressive pricing policies for key resources, with protection for those on low incomes

And could consider the following:

- Improved communication of the benefits of resource efficiency, and also of making purchasing decision for the long term (this can be linked to improved labelling, see above)
- A mandatory extended warranty on products after sales to create the conditions for the seller to design products with a longer life.
- Setting legally binding objectives for retailers to increase the share of ecolabel-awarded products on their shelves.

5. **The Commission should take action to protect biodiversity**

Pushing our consumption beyond sustainable levels will result in the destruction of our natural resource base. We must ensure that there is no shift from the use of one resource (e.g. atmosphere) to the other (land) but that reduction in all spheres is achieved at the same time. The Roadmap should complement the Biodiversity Strategy by proposing the necessary measures to tackle the underlying driver of biodiversity loss: the overconsumption of our natural resource base.

6. **Promotion of policy coherence across EU policy areas**

If resource efficiency is to be achieved, policy must be coherent across all EU policy areas, such as energy, transport, climate change, agriculture, and cohesion funding. For example, all payments under the CAP, both direct (so called pillar 1) but also all measures from the rural development fund (called pillar 2), should be tied to environmental performance.

Policy areas which have a strong influence on resource efficiency include climate and energy policy. Increasing the GHG emissions reduction target to 30% - as called for recently by ministers...
from 7 Member States (Guardian 2011) – and setting binding targets for energy efficiency should be seen as complementary and necessary measures within the resource efficiency agenda.

C. Sources


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