

Adapting EU governance for a more sustainable future

Background Studies



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Background paper to *Getting into the right lane for 2050*

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Adapting EU governance for a more sustainable future

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Executive summary

This background paper analyses the EU's ability to achieve ambitious visions for a more sustainable development in 2050 focusing on climate change and energy, land use and biodiversity, and transport. These visions and the pathways to achieve them have been identified in the study *Getting in the right lane for 2050*, published by the Netherlands Environmental Assessment Agency (PBL) and the Stockholm Resilience Centre (SRC) (PBL and SRC, 2009). Specifically, this background paper addresses the following questions: (1) Which governance and institutional issues need to be on the agenda of the new European Commission that are relevant for reaching the visions? and (2) What are possible directions for policy-making in this respect?

Views on desired institutional developments in the EU of relevance to its environmental and sustainable development agenda are closely related to fundamental debates on European integration (see Chapter 2). They include the struggle over EU competences, the issue of legitimacy of the EU, the effectiveness of EU governance arrangements, the EU budget and the EU's future borders. The underlying question is whether the EU is considered to be an economic project ('negative integration', focus on creation of an internal market), or a political project ('positive integration', broadened scope and balance between economic, social and environmental objectives). These are recurring issues throughout the analysis in this report.

The EU's sustainability efforts are currently undermined by the unclear definitions and overlaps between the EU sustainable development, environmental policy integration and climate change agendas (see Chapter 3). We identified a number of forthcoming strategic policy processes that are likely to influence the long-term sustainability agenda of the EU. These issues include the new EU budget (financial perspectives) with important choices for the future of EU agricultural policy; the revision of the Lisbon Strategy, including its external dimension and the better regulation agenda; and the review of the Sustainable Development Strategy. An issue is whether developing a new Environmental Action Plan is desirable or in conflict with the aim to incorporate environmental objectives into all EU activities.

In the area of climate change and energy much will depend on the outcome of the Copenhagen Climate Summit in December 2009. Additional EU initiatives are expected with

regard to energy efficiency, grid interconnection and funding for research and innovation. In land use, the strategic issues include the future system of agricultural subsidies, renewed impetus for biodiversity objectives, and the value of natural resources and ecosystem goods and services. In transport, efforts are under way to follow-up the Greening Transport communication, to strengthen the trans-European networks, and to think more strategically about the longer-term future of transport. The EU has become increasingly vocal about the need to address emissions from international aviation and maritime sources, but is finding it difficult to convince other countries and regions.

The 2050 visions imply a world in which the Member States continue to accept the need for common and coordinated efforts within and beyond the EU, and a world in which these visions are also supported globally. However, inter-state cooperation within the EU and globally could also develop in a less cooperative direction, and developments driven by the private sector may be more important than those by public entities such as the EU. Therefore, four alternative scenarios on possible future roles of the EU have been identified (see Chapter 4). These are a Europe that is a Superpower, Globalised, Mercantilist or Irrelevant actor. We argue that achieving the sustainable development visions would be very difficult if narrowly defined economic interests and rivalry between Member States prevail. Although a Superpower Europe of the future is difficult to envisage in the short term, it provides the greatest opportunities for building a more sustainable EU and world.

Internal governance structures influence the EU's ability to achieve the visions of the *Getting into the right lane for 2050* study. The following issues deserve attention:

- *Reconsider EU decision powers in some areas.* Although full ratification and entry into force of the Lisbon Treaty is still not completely certain, question remains whether this treaty transfers sufficient additional legislative and coordinative power to enable Brussels to develop and decide the strong set of policies recommended for reaching a more sustainable course in the field of energy, land use and transport. Competences for most issues are only partially transferred to EU level, which can limit the ability to deal with these problems effectively and efficiently. We considered if a transfer of more competences to the EU level in the transport and energy sector could help in bringing about a more sustainable

policy. This would include decisions to improve the interconnectivity of cross-border energy and transport infrastructures. All investments, whether by the EU or by the Member States, would need to focus on removing barriers for low-carbon energy and transport means (renewable electricity and hydrogen- or electricity-driven vehicles).

- *Policy coherence needs to improve within the EU.* Achieving environmental policy objectives and sustainable development by definition depends on activities in other policy domains. Achieving policy coherence requires high-level political commitment and backing, and also strategic choices on the allocation of administrative capacities and responsibilities. Combining climate and energy capacities in the European Commission is likely to lead to a further integration of these policy areas, but may dilute attention to climate change and environmental policy in other areas, such as external relations, transport and agriculture. The European Commission's impact assessment is an important tool in achieving policy coherence, but more work could be done to monetise environmental impacts and to make impacts outside the EU more visible.
- *New policy instruments are needed.* It is questionable whether soft-law approaches in combination with some direct regulation and market-based mechanisms are sufficient to achieve the 2050 visions. Long-term targets (2030–2050) and financial incentives in the form of taxation and subsidies may be needed to help to scale up and accelerate implementation. Incentive schemes for innovation and research need to increase and be designed so that the risk of investment in 'wrong' technologies is low. Monitoring and administrative capacity is vital to stimulate policy coordination.
- *EU budget offers limited opportunities.* The limited powers at the EU level appear to be a stumbling block to adjusting the distribution of funds. With regard to the EU budget, both allocation of funds and disbursement criteria could be geared towards more sustainability objectives. A budget of 1% of GNP, which is the current spending power of Brussels, may not be enough to support a common European transition to a more sustainable future. The Lisbon Treaty strengthens the powers of the European Parliament in agricultural policy and budget. Another budget-related issue that requires attention is taxation. Member States retain a veto over decisions on fiscal measures, but such measures may be unavoidable in providing sufficient incentives for radical transition to a low-carbon economy. Politically, this is a sensitive issue.

Achieving crucial parts of the 2050 visions also requires a global effort. The EU on its own will not be able to achieve these visions and, therefore, needs collaboration with other world regions. Currently, the EU seems to be unable to realise its full potential on the world stage. We suggest the following options for strengthening the role of the EU in the world with a view to contributing to a more sustainable 2050 (see Chapter 6):

- *European leadership can make a difference.* The EU has clearly played a leadership role in climate change, and this would also be possible in other areas. The EU attaches great importance to finding multilateral solutions through the UN and Bretton Woods institutions. These organisations

are under pressure to improve their capacity to deliver. By taking the lead in international reform discussions, the EU could demonstrate its sense of realism by accepting a fairer distribution of power, while emphasising the importance it attaches to sustainable development objectives. As new and strengthened coalitions will be required, some generosity to upcoming and developing countries is likely to help in building future alliances. This will become increasingly important at a time of shifting balances in power relations.

- *EU external policies and sustainable development objectives require further alignment at the political level.* Despite progress in recent years, EU external policies and sustainable development objectives are not well aligned. However, this alignment is vital for effective use of EU external power and for its international credibility. Although European citizens and politicians regularly indicate the importance of sustainable development and the EU has a clear long-term interest in a sustainable management of natural resources, other objectives are often prioritised when decisions are taken. Ownership and political debate on sustainable development, therefore, need to be linked to specific policy areas and not remain overarching objectives. The bottom line is the extent to which the EU is willing to take an integrated approach to foreign policies, by relating relevant policy domains, such as security, development, environment and trade in a sustainable development perspective.
- *Speaking with one voice will be beneficial.* In many international negotiations, the EU is expected to operate as a bloc. In practice, coordination of national positions and conducting a joint external representation is often cumbersome. The EU's ability to promote sustainable development objectives outside the EU is undermined by the use of different modes for external representation on various international issues. In formulating international policy priorities, decision-making by consensus is often required. This has become a real stumbling block after EU enlargement to 27 Member States. Another feature is the external representation of the EU by the rotating presidency, which constitutes a source of discontinuity. The situation may improve with the creation of a foreign policy coordinator and European External Action Service, as is foreseen in the Lisbon Treaty.
- *EU sustainable development policies can set global standards.* The EU could consider using to the full its ability to set environmental standards beyond the geographical remit of Europe (for example, on cars, tankers, and energy efficiency of consumer goods). In addition, the EU could aim to gradually convert voluntary agreements and private sector initiatives (e.g., on palm oil and illegal logging) into legally binding international commitments and initiate new processes to find common interests in protecting natural resources.
- *Sustainable development objectives can be mainstreamed further.* Sustainable development objectives could be further integrated into EU aid and trade policy. The EU has, for example, integrated climate change objectives into its development cooperation policies. The EU could consider similar mainstreaming initiatives for other issues, such as preservation of biodiversity and ecosystem goods

and services, and internalisation of environmental costs of international transport. At the operational level, a mechanism to improve external policy coherence is the Sustainable Impact Assessment which is used in identifying the international environmental and social dimensions of new EU trade policies. This mechanism could be further improved and extended to other policy domains.

- *Resources and funding need to be scaled up.* The EU is a significant financial contributor to international environmental initiatives, but the amounts made available are not sufficient by far to achieve EU ambitions globally. More use could be made of innovative finance mechanisms, although their possible contribution should not be overrated. A relatively successful example is the 2% levy on projects under the *Clean Development Mechanism (CDM)* going to the adaptation fund, but it may be difficult to replicate, for instance, in sustainable land-use practices. Options include taxes on kerosene, bunker fuels, and possibly weaponry. They have proven difficult to decide on and implement internationally, but this should not be a reason to ignore them, since increasing ODA is no easy undertaking either.

Thus, there are a number of internal and external governance issues influencing the EU's capacity to bring itself and the rest of the world on a more sustainable path. Their viability, however, is also contingent on how the European integration process and the international system will develop. By reconsidering the issues outlined above, in the light of the four possible scenarios for Europe's future, a number of insights become apparent. They are meant to stimulate further debate:

- *Leadership by example* is crucial for upholding the EU's international credibility. The EU cannot preach sustainable development internationally without having strong domestic policies.
- Sustainable development requires the EU to be a *political project* as well as an economic project. Market opening goes hand-in-hand with market intervention to look after social and environmental issues.
- *EU governance arrangements need to be made more effective.* For sustainable development, broader coverage of EU policies and increased weight in international institutions could be beneficial, but only if decision-making is streamlined. For instance, by abolishing the veto for international EU positions, allowing more core groups for issues where feasible, and allowing more hierarchy within the college of Commissioners and possibly the EU Council.
- *Trade-off between effectiveness and legitimacy.* The EU needs to choose policy priorities carefully, and continue to justify the added value of its involvement in specific policy areas. In the areas of energy, land use and transport, we argue for more EU involvement in redistributive policies, coordination of sustainable land-use practices, and infrastructural decisions. We do not see a role for the EU in directly influencing lifestyle changes, even though various EU policies have an obvious indirect impact on lifestyles.
- *Continued need for EU international engagement* in sustainable development. Without a strong EU involvement, international cooperation on climate change,

biodiversity, and low-carbon aviation and maritime transport is likely to be less ambitious.

- Assuming a declining role for the EU in the world, there still is a window of opportunity to use the *coming years well* to try to influence the global community. This is the time to set ambitious standards for energy efficiency, to take the lead in technological innovation, and in reforming the system of international institutions.

Introduction



The European Union frequently states as objectives achieving sustainable development and a high level of environmental protection within its geographical remit and worldwide. Less poverty, maintained biodiversity, and a safe climate are in everyone's interest. They are global collective goods that have benefits for all, including the citizens of the EU Member States. However, the problem is that at the individual level, citizens and states have strong incentives to contribute less than their fair share, making cooperation strongly contingent on political determination.

While global assessments indicate that some improvements have been made, overall progress is slow and, in some areas, the environmental situation is deteriorating (e.g., IPCC, 2007; OECD, 2008; UNEP, 2007; IAASTD, 2009). Objectives set in the context of international agreements are unlikely to be met. Prominent examples include the Millennium Development Goals (MDGs), the Convention on Biological Diversity (CBD), and the United Nations Framework Convention on Climate Change (UNFCCC).

This background paper to a study entitled *Getting into the right lane for 2050* focuses on the institutional conditions needed for the EU's contribution to achieving sustainable development and environmental objectives in three specific themes:

- Energy and climate change
- Land, food and biodiversity
- Transport.

This paper addresses governance and institutional issues influencing policies in these fields. They could be reconsidered by the new European Commission to enable the EU to achieve the visions for a more sustainable Europe by 2050.

These visions and the transitions needed to achieve them are formulated in the study *Getting into the right lane for 2050*, which has been carried out by the Netherlands Environmental Assessment Agency (PBL) together with Stockholm Resilience Centre (SRC). These visions are summarised as follows.

Visions

The *vision for energy and climate change* is that, by 2050, at least an 80% reduction in greenhouse gas emissions has been achieved within the EU (compared to 1990 levels). Measures to achieve this objective are implemented in such a way that the EU's desire to improve its energy security position is also

achieved. Internationally, the EU has put sufficient diplomatic efforts into convincing equally prosperous partners to make a similar commitment. The EU has created incentives to convince countries outside the EU to start with emission reduction efforts. Global reduction efforts are sufficient for reaching the global climate objective of a maximum global temperature increase of 2 °C, which the EU is aiming for.

The *2050 vision for land use and biodiversity* is to be able to produce food for all without a further loss of biodiversity. Within the EU, the agricultural policy is reformed so that European food products do not distort international markets. Incentives are in place to stimulate dietary patterns that optimise the nutritional value of agricultural production. Within the EU, biodiversity is protected by an effective framework directive for nature protection which ensures that other EU policies affecting specific EU regions, including the agricultural and cohesion funds, do not undermine biodiversity objectives. A spatial planning approach has been developed at the EU level to ensure coherence, notably with regard to the effects of various EU and national policies. Valuation and payments for eco-services are included in mainstream economic policies.

The *vision for transport* is to reduce transport emissions by 80%, by 2050, compared to 1990 levels. At the same time, smart transport systems contribute to EU economic growth and interconnection objectives. Passenger transport is almost carbon-free, using hydrogen-fuelled or electric powered vehicles. Aviation, shipping, and freight transport will use biofuels. Rail transport will be fully electric, using electricity produced from low-carbon energy sources. In addition, consumer behaviour has changed with regard to transport. European transport systems optimally support the EU economy, which means that they are reliable and efficient. Major freight and passenger flows can cross the EU efficiently, harbours are well connected with hinterland, and transport systems make more intelligent use of ICT services.

Pathways and policy options

The *Getting into the right lane for 2050* study assumes there are different pathways to achieving these visions. Some of the pathways are identified and analysed, including barriers, inertia, trade-offs and synergies. The study focuses on substantive policy choices and identifies the critical path for the new European Commission to achieving these visions for 2050. This background study contributes to the study

by examining institutional and governance issues related to these choices, such as administrative capacity, choice of policy instruments, the legitimacy of policy action and diplomatic capacity. A broad set of possible directions for policy-making is identified, but the scope of this paper does not allow all options to be analysed in detail.

When considering the institutional and governance options, the focus is on the role of the European Commission, since it is the initiator and driving force behind many new proposals including those on institutional reform. In some instances, the paper also addresses questions relevant to the European Parliament, Member States and the EU Council of Ministers. An important issue with regard to EU governance is the debate on EU treaty reform. This provides the blueprint for allocation of policy responsibility and tasks to the different EU actors, and defines EU policy objectives. Full ratification and entry into force of the most recent treaty amendment, the Lisbon Treaty, is still not completely certain. Given the difficulties in ratifying the Lisbon Treaty, EU actors are unlikely to be enthusiastic about designing a new treaty revision, in the short term. However, the history of the EU has shown that the legal construction will again be subject to discussion at some point in time. This is relevant when working with a time horizon to 2050.

A distinction is made in the analysis between issues and options related to the internal functioning of the EU to achieve sustainability objectives and those related to the EU on the global stage. Internal and external issues also have some bearing on one another; internal policies and the way they are governed strongly influence the role the EU can play externally (Laatikainen and Smith, 2006). In this respect, the EU's position in the world is likely to change radically. The EU will be one of the smaller superpowers in a world in which China and India are important players next to the United States.

Visions on how the EU will evolve

The EU and the world would be better off if the visions outlined above were achieved in a coordinated global effort. This implies that countries agree on goals, burden and benefit sharing and on options for achieving these objectives. The EU and its Member States are united in contributing to this global effort.

This idealistic notion of the benefits of advanced forms of interstate cooperation is not necessarily shared within the EU or in other world regions, and thus requires further scrutiny. The different positions taken in the current debate on the future global role of Europe reflect a high degree of uncertainty. For instance, some analysts have high expectations of the emerging EU foreign policy. Others are critical of how foreign policy is now shaped and argue that, internationally, the EU seems unable to bear the fruits of its economic power.

Whether the EU is able to operate as a 'sustainable force' in the world is likely to depend on a number of political choices. These choices relate to the importance attached to environment and development issues within and outside

the EU, the degree of influence the EU is willing to pursue in world affairs, and its relative power in relation to other regions. The EU's role, in turn, is linked to its institutional capacity.

The viability of EU policy options and institutional arrangements is influenced by the way the EU will evolve as a political entity. This study will consider four ways in which the EU may evolve. This builds on earlier analysis carried out by the PBL using world views to distinguish different perspectives on sustainable development and to structure debate on contentious issues with high uncertainties (MNP, 2007; De Vries and Petersen, 2009). The world-view approach also helped to deal with the special character of the themes addressed in the *Getting into the right lane for 2050* study, sometimes referred to as 'wicked' or 'unstructured' policy problems. These problems are characterised by large uncertainties and high stakes, and by a situation in which an optimal strategy to overcome these problems cannot be identified. While endeavouring to overcome these problems, new problems may arise.

Outline

This paper is organised as follows. Chapter 2 sets the stage for the analysis in the subsequent chapters by describing key issues in the European integration debate. Chapter 3 discusses the integration of environment and sustainable development policy objectives into other policy domains. Chapter 4 identifies possible scenarios for the EU's future role. Chapter 5 presents our analysis of what the EU could do internally to achieve its own sustainability objectives, and to play its part at the global level. Chapter 6 addresses options for the EU to tackle sustainable development issues on the global level, and considers the EU diplomatic and resource capacity for doing this, internationally. Chapter 7 concludes the paper by deriving the most relevant long-term institutional issues for EU governance for a more sustainable future.

2

Widening and deepening European integration: the everlasting debate

This chapter presents an overview of overarching issues in the debate on European integration and sets the context for the topics and analysis in subsequent chapters. This helps to identify specific institutional options relevant to the issues energy, climate change, land use, biodiversity, and transport. The chapter also illustrates that policy-specific debates mirror larger debates on European integration and sustainable development policy.

The debate on European integration is dominated by five overarching issues:

- division of competences between the EU and the Member States;
- legitimacy of the EU;
- effectiveness of EU governance arrangements;
- EU budget provisions;
- future EU enlargement.

These issues are not only relevant to the development of EU internal policies, but also to the position of the EU in the world. They are linked to the broader debate on widening and deepening European integration, and are also likely to be affected by the entry into force of the Lisbon Treaty. This treaty will by no means end the institutional debate. Many developments in the coming years will require an institutional response from the EU that likely goes beyond the innovations currently foreseen in the Lisbon Treaty.

2.1 The struggle over EU competences

The first issue concerns the extent to which policy-making authority is to be transferred from the Member States to the EU. Member States are generally keen to emphasise the principle of subsidiarity. EU policy-making authority is confined by EU treaty provisions to specific policy areas and objectives. In other areas, the EU can only act if the objectives of the proposed action cannot be sufficiently achieved by the

Member States, and, for reasons of scale or effect, are better achieved by the EU.¹

In practice, the extent of EU involvement that is required to honour EU treaty provisions can be difficult to identify. The competence division is also politically sensitive, particularly with regard to classical attributes of sovereign states, such as fiscal authority, law enforcement and military powers. Authority with regard to horizontal (cross-cutting) policy issues, such as environment and sustainable development, can be dispersed to different government levels, responsible ministries and departments. The involvement of regional authorities may lead to multi-level governance settings. The network character of policy issues may demand a choice for inter-state, inter-regional or public–private partnership constellations. For political or practical reasons, coordination of national policies may be preferable to a common EU policy. In some cases, a group of Member States may enhance cooperation on a specific issue, while others do not participate (e.g., the euro and the Schengen area).

Hence, the division of competence between EU and Member State levels is not always straightforward and can be overlapping. It depends on interpretation of treaty articles, and the definition of policy areas and objectives. This also applies to policy areas relevant to this study, such as agriculture, trade, biodiversity, energy, transport networks, and development cooperation (see Chapters 5 and 6). For each policy area, an analysis was made of the competent governing authority in the current situation and in the scenario in which the Lisbon Treaty enters into force. In addition, options to transfer competences were examined in the light of bringing the 2050 visions closer to reality.

The division of competences greatly influences the EU's international presence and capacity to act. Internal competences are mirrored internationally. As a result, authority over EU foreign policy and external relations is unclear and diffuse (Gstöhl, 2009; Sapir, 2007). Authority

¹ See Article 5 of the Treaty on the European Community.

ranges from the closely coordinated format used for trade-related issues to parallel activities of the EU and Member States in development cooperation and loosely coordinated diplomacy on issues of war and peace (and only when a consensus can be reached). It leads to incoherence in administrative responsibilities for policies and actors representing the EU externally. This issue is discussed in Chapter 6.

2.2 Legitimacy: Europe of or for the people

Another issue at the forefront of the debate on European integration is the democratic legitimacy of the EU. An essential aspect of the debate is whether the EU is accepted as a democratic political system by the majority of EU citizens (input legitimacy). Another is whether its policies are accepted (output legitimacy). A specific aspect is whether the EU could have a role in policies that explicitly advocate changes in lifestyle and consumption patterns through actions, such as raising awareness and public campaigns.

Questions have been posed about the functioning of systems of democratic accountability and political representation within the EU (Lord, 2004). Do national parliaments effectively control the position their country defends in the EU Council? Is the European Parliament strong enough to counterweigh the Council and to control the European Commission? How close is it to the electorate?

According to Scharpf (1999), output legitimacy is the most important for the EU, but input legitimacy is required too. This is particularly the case the more the EU touches on market-correcting policies and is involved in 'political' as opposed to 'economic' issues. Advocates of the European integration process try to strengthen both dimensions, but Euro-sceptics are critical of such expansionist orientation of the EU. As a result, European public policy is only able to deal with a narrower range of problems, and is able to employ only a narrower range of policy solutions, than is generally true for national policies.

On the issue of trust, most EU citizens support the EU (Eurobarometer, December 2008). But the EU also has an image of being overly bureaucratic and slow to respond to pressing policy issues. In reaction, more attention is given to communication of EU results and improving the effectiveness and efficiency of EU governance. EU politicians, for instance, regularly refer to activities in climate change to illustrate the added value of the EU and its ability to address cross-border issues of concern to EU citizens. Other global issues in sustainable development, such as biodiversity and sustainable water use, could also become exemplary issues to demonstrate the need for European integration and international cooperation.

EU activities in international affairs are also used to increase the visibility of the EU and to justify its added value to an increasingly Euro-sceptic population. The EU would be able to provide shelter against the negative effects of globalisation. Its size would ensure that influence can be exerted in areas

where the individual Member States would otherwise not be able to play a significant role. Its focus on seeking multilateral solutions to address international policy problems would fit within the logic of its own construction. However, sceptics react that in reality the EU is irrelevant and behaves like a 'giant Switzerland' in world affairs (Rachman and Mahubani, 2008). The EU would be hypocritical, using ethical objectives to foster self-interest. In a similar way, accusations are made that environmental policies mainly constitute trade barriers. Thus, EU external activities have also been used to undermine its international legitimacy and credibility.

A fundamental issue in this debate is the extent to which the EU can continue to expand its activities if its citizens are not fully supportive. Will European integration eventually implode if legitimacy questions are not addressed sufficiently? Or, will the EU overcome this period of Eurosclerosis as it did in the 1980s? As with all political entities, the EU's survival is likely to depend on its ability to set up appealing activities. Perhaps, the ideas of a 'Green New Deal' could mature into the new project for the EU. A Green New Deal seems to provide ample opportunity to combine short-term economic policies and long-term strategic visions on more sustainable development.

2.3 The effectiveness of EU governance arrangements

Partly in response to concerns about EU legitimacy, more attention is being given to the effectiveness of its governance arrangements (Schout and Jordan, 2008).

The better-regulation agenda aims at making the EU more effective by reducing the administrative burden of EU legislation. Impact assessments that accompany new European Commission proposals aim at a rational justification of choices for policy approaches and instruments. Although their quality has been questioned in the past, their use and value in the European policy-making process has gained recognition more recently (Jacob et al., 2008).

In the choice of policy instruments, soft-law mechanisms, such as the open method of coordination (OMC), have become increasingly important. Through this method, Member States, together with the European Commission, agree on guidelines and indicators which are used in benchmarking national policies and sharing best practices. There are no official sanctions for laggards. Rather, the method's effectiveness relies on a form of peer pressure and 'naming and shaming', as no Member State wants to be seen as performing the worst in a given policy area.

The effects of the OMC are difficult to measure. Some experts argue that reports written by Member States to discuss one another's policies just promote and sell national policy choices without mentioning policy mistakes (Radaelli, 2007). Others claim it is easy to be critical, but progress has been made in national policy developments in areas covered by OMC (Barysch et al., 2008). However, the question can be raised whether reliance on soft policy tools is sufficient in achieving the ambitious long-term targets of the visions of

Getting in the right lane for 2050 which require continued effort over several decades.

Another general feature is that the EU is mainly a regulatory power rather than a spending power (exceptions are agricultural and regional policy, see below). Unlike national governments, the EU has limited resources for redistributive policies (such as subsidies). EU taxation or even harmonisation of national tax regimes is difficult to agree upon, since this area of Member State competence is most guarded. Unanimity is required for any decision affecting national taxation at the EU level. This leads generally to a preference for non-fiscal policy instruments, such as regulation or market-based mechanisms.

A significant example of taxation proving to be a bridge too far is the CO₂ tax proposed in the mid-1990s. After negotiations failed, the European Commission proposed the emission trading scheme (ETS). Using such a trading mechanism to regulate CO₂ emissions leads to higher transaction costs, but has other advantages, such as flexibility in economic development (fast growing countries can be expected to have more emissions, but also more resources for adjustments). The strategic aspects of trading made the instrument not only more acceptable to the Member States, but also to the industry sectors covered.

In general, EU legislation is likely to become more centred on goals and targets to be achieved by a certain time, leaving much of the implementation decisions to the Member States. Sometimes the implementation is overseen and coordinated by committees composed of Member States' experts (comitology). The trend is an increased use of (framework) directives as opposed to regulations. This enables the EU to accommodate the greater diversity that came along with the enlargements. Diversity does not only concern socio-economic, administrative and legal systems, but also natural circumstances (coastal areas, mountains, climate), which needs to be taken into account in developing new legislation.

In external policies, the EU cannot build on a significant military power. The most important instruments to influence other states are trade and aid agreements. These instruments are usually linked to other policy objectives, such as good governance, environmental protection, social standards and human rights protection. The EU has long been recognised as a civilian power (Duchêne, 1972); its international power is based on its ability to use its economic powers to grant political concessions. More recently, it has been argued that EU powers stretch beyond economic powers. The EU would sometimes be able to influence what passes for 'normal' in world politics, particularly normative issues, such as human rights and environmental policies (Manners, 2002). The EU's ability to do so not only derives from its economic powers but also from the EU being a normatively constructed political entity itself.

Most important is, perhaps, the EU's market power. As the largest economy in the world, the EU is a preferred partner for bilateral trade agreements and also influences regulatory standards which other countries have to adhere to, in order

to create and continue business export opportunities. The common currency of the euro is the world's second currency and has strengthened the EU's economic position.

2.4 Budget

In discussing EU effectiveness, consideration must be given to how the EU budget is spent. Although the EU budget is relatively small (about 1% of GDP), the absolute total sums are still considerable. A substantial part is directed to agricultural subsidies and regional support, areas in which the EU can rightfully be classified as a spending power. Budget allocation and EU revenues are fiercely debated issues, since they illustrate political priorities and the extent to which Member States are willing to hand over fiscal authority. Many observers are critical of the lock-in effect to agricultural and regional subsidies; the focus on national net return of payments to the EU budget ('juste retour'); and related rebates to Member States, such as the United Kingdom and the Netherlands. These countries have successfully claimed compensation for inequitable payment to the EU budget (Núñez Ferrer, 2007). The recent trend is to spend less on agriculture production and more on research and innovation.

The current agreement for the gross budget provisions for the period 2007–2013, known as the financial perspectives, foresees a mid-term review in 2009. Initially, expectations were high that the mid-term review could lead to considerable reform, also in the light of new agreements to be made on trade liberalisation and agricultural subsidies within the WTO. However, with the stalled Doha Round and the EU in the midst of a severe economic crisis, the mid-term review is likely to make little difference to budget allocations.

More substantial discussions are expected in 2010–2011, when the European Commission is due to present proposals for the financial perspectives for the period after 2013, known as Agenda 2014. Key issues in the discussion are possible re-nationalisation of the subsidies for agricultural products, reform of the structural funds, inclusion of new policy priorities, such as domestic and external security, and strengthening objectives, such as sustainable development, innovation and growth (Gros, 2008). Sensitive issues are whether the EU budget should be expanded and whether the system of own resources should be strengthened. Should the EU be able to raise its own taxes in the future? Although it has been agreed that the EU budget should be subject to the principles of subsidiarity and proportionality, the tasks the EU should concentrate on are less clear, neither is it clear to what extent budgetary resources are required to ensure policy-effectiveness.

Of the issues covered in *Getting in the right lane for 2050*, climate change has received most attention in the discussions on the future EU budget. It has been explicitly recognised by the European Commission as one of the new issues likely to justify refocusing expenditure. Research has shown that relatively little attention is given to the EU objective of reducing greenhouse gas emissions in spending criteria for the current funds for agriculture, regional projects and even

research (Adelle et al., 2008; Behrens et al., 2008). There are also obvious links with the other issues, such as:

- the need for investments in energy infrastructure in order to make a transition to a low-carbon energy system;
- the relationship between agricultural subsidies, land use and biodiversity;
- the potential contribution of cohesion funds to increasing the interconnectivity of European areas, without increasing transport emissions.

Internationally, the spending power of the EU is relatively impressive. The European Community is the third largest development donor and together with the official development assistance (ODA) disbursed by the Member States, it is the largest development donor. But the EU is far from the 0.7% of GDP promised, and funds currently available are considered insufficient to achieve the Millennium Development Goals. An important question is whether the EU will pay for adaptation to climate change, preservation of ecosystems, and the uptake of clean energy technologies in developing countries.

2.5 Future borders, new friends and foes

A further issue is the size of the EU in terms of its Member States. Enlargement has been an inherent feature of the European integration project. But has raised fundamental questions as to where Europe ends geographically and culturally. EU membership is considered to bring peace and prosperity. For candidate countries EU accession is worth some sacrifices, such as (often painful) economic reforms.

For the EU, enlargement leads to market expansion, as well as regulatory expansion in areas such as environment, food safety and rule of law. But, enlargement means that decision-making powers have to be shared by more Member States. Citizens and politicians fear a decline of influence. The EU institutions would suffer from the increased membership. How to govern the European Commission with 27 or more Commissioners? How to reach agreement in the Council with more than 27 Member States? How homogeneous are their interests as defined by socio-economic factors? Does the European Parliament function well with more than 700 Members? In short, are there limits to the absorption capacity of the EU (Emerson et al., 2006)? While the jury is still out on what the effects are of the 2004 and 2007 enlargements, new candidate countries are already in the waiting room - Croatia, Macedonia and Turkey, with others keen to follow.

With the decision to decline Morocco's application for EU membership in the 1980s, a decision was made that Northern African countries are considered to lay outside the geographic borders of Europe. Turkey has been accepted as a candidate country, but its membership is politically contested, not in the least because a majority of EU citizens oppose the membership (Barysch, 2007). Others argue the strategic importance of incorporating this geo-strategic NATO member. They refer to economic and political reasons, and consider it important to demonstrate that the EU does not discriminate against countries with a large Muslim population.

However, in terms of size and geographical location, EU membership seems easier for the Balkan countries. Inclusion of Turkey would extend the EU borders to Iraq and to other countries of the Middle East, which many citizens seem to consider unattractive.

A specific concern is the relationship with Belarus, Moldova, Ukraine and the Caucasus countries. These countries are looking to the West, but still have very close ties with Russia. Tensions between the EU (and NATO) and Russia over Russia's previous 'sphere of influence' are on the rise, as clearly illustrated during the recent conflicts over gas transits through Ukraine and the war in Georgia.

The EU has the European Neighbourhood Policy (ENP) to define its relationship with all the countries in its vicinity that have no short-term perspective of EU membership or have shown no interest. The ENP includes action plans covering trade integration, financial support and cooperation in specific policy areas. A Mediterranean Union has been established with the countries of Southern Europe and Northern Africa and the Middle-East to intensify cooperation in relevant areas. Similar provisions are contained in the Eastern Partnership with countries eastwards of the European Union. In general, the question is whether these ENP-related initiatives will be able to ensure peace and prosperity in the EU vicinity. What if the 'ring of friends' loses its interest and decides on a different course to the one preferred by the EU? At present, the EU seems to offer access to the internal market and financial support as a bargaining chip, but this may not be sufficient to tackle sensitive political issues or to demand radical economic reforms.

With regard to the *Getting in the right lane for 2050* study, there are obvious links between EU enlargement and ENP on the one hand, and the EU energy security agenda on the other. Turkey is in a strategic position given its possible transit function for gas from the Caucasus outside the geographical borders of the Russian Federation (Nabucco pipeline). Ukraine and Belarus are important transit countries for gas from the Russian Federation to the EU. Algeria is a direct gas exporter to the EU. Other countries may have interesting renewable energy potentials. With regard to transport, it may be important to increase interconnectivity with the EU with regard to the objectives of stability and prosperity of neighbouring countries. For land use and biodiversity, issues such as food production (Ukraine being a large producer of cereals) and desertification in the southern ENP countries are relevant.

Issues that will greatly influence the EU's position in the world are enlargement and the relationship with neighbouring countries. Enlargement has been labelled the greatest success in EU foreign policy, because EU membership has proven to be linked with prosperity, stability and democracy. Other countries look to EU dealings with Turkey to see how a Muslim country is treated. An increased number of countries and inhabitants means increased voting power in international institutions and increased market power. With almost 500 million inhabitants, which is more than the combined population of the United States and Russia, the EU

is currently home to the world's largest economy, generating about one fourth of global wealth. Although this position of the EU is likely to decline, future enlargements may counterbalance that trend.

2.6 Key issues in the European integration debate revisited

From the discussion above, it is still undecided whether the relationship between EU expansion and intensified cooperation is subject to inherent tension, or whether both are signs of Europe progressing towards a more mature and effective political entity.

Another unresolved issue is the conceptual distinction between negative and positive integration (Scharpf, 1999). Is the added value of European economic integration its ability to remove trade barriers and to promote fair competition between Member States (negative integration; the creation of the internal market)? Or, should the EU be judged on its ability to correct market failures and to adopt policies that balance economic with environmental and social objectives (positive integration)? A related theme is whether the EU should be considered to be primarily an economic or a political project. Does economic integration serve a higher objective, or is it an objective in itself? Should the EU become more involved in issues where fundamental value-based political choices have to be made, such as in the relationship between social and economic development, environment, security and justice?

An issue affecting the division of competences and the effectiveness of governance arrangements is policy coherence. EU policies should not undermine each other, internally or externally. This is particularly the case with sustainable development and environmental objectives, which by definition depend on measures taken in various policy domains. However, this is a particularly difficult issue to put in practice. Policy coherence is discussed in Chapter 3, which also provides an overview of ongoing policy debates in which sustainable development and environmental objectives can be integrated.

The EU environment and sustainable development agenda

3

This chapter addresses the EU agenda on environment and sustainable development, subjects which are considered in relation to the Lisbon Strategy on innovation, economic growth and jobs. Also climate change is included as this has become a major policy issue for the EU justifying its own policy action in other policy domains. Current efforts to integrate sustainable development policy objectives and environment into other policy domains are examined, and consideration is given to formulation of a new environmental action programme to contribute to the agenda. Finally, some of the strategic policy processes are identified for the EU agenda and possible integration of environment and sustainable development in various policy domains in the coming years.

3.1 Overlapping fields: sustainable development, environment and climate change

In EU policies, the relationship between sustainable development and environmental protection and action to combat climate change is not always clear, let alone their relationship to the Lisbon Strategy, which aims at strengthening innovation and economic growth. The Lisbon Strategy aims to transform Europe into the most competitive area of the world by 2010. Although it emphasises that growth should be sustainable, the Lisbon process is primarily economy-focused. Hence, the EU Sustainable Development Strategy (SDS) and the Lisbon Strategy put in place two competing long-term visions for the EU.

The Sustainable Development Strategy was adopted at the European Council meeting of Göteborg in 2001. An external dimension was added to the strategy in Barcelona in 2002 and the strategy was revised in 2006. Another revision is on the agenda of the European Council in December 2009. The SDS outlines the main priorities for sustainable development within and outside the EU: environmental protection, social cohesion, economic prosperity and international responsibility.

Thus, on paper, the SDS comprises a broad spectrum of sustainable development goals, ranging from economic growth and more jobs to achieving environmental objectives and attaining the Millennium Development Goals, such as poverty reduction. Since the SDS is so all-encompassing, it is unclear whether the EU institutions consider the SDS as (a) separate and complementary to the Lisbon Strategy, (b) separate and in direct competition with the Lisbon Strategy, or (c) foremost an environmental addition to the Lisbon Strategy (Pallemaerts and Azmanova, 2006; Bomberg, 2009).

To illustrate synergies between the two strategies are possible and desirable, the term *sustainable growth* is often used in EU documents, but this does not provide direction for situations in which short-term economic and environmental objectives are in conflict. To highlight a number of issues where sustainable development would deserve extra attention, a number of specific policy issues are explicitly mentioned in the SDS. These are:

- Climate change and clean energy;
- Sustainable transport;
- Sustainable consumption and production;
- Conservation and management of natural resources;
- Public health;
- Social inclusion, demography and migration;
- Global poverty and sustainable development challenges.

The SDS falls within the remit of DG Environment in the European Commission. This indicates that sustainable development is primarily considered an environmental issue within the daily practice of EU policy-making, as opposed to a development or social issue. In fact, the concepts of sustainable development and environmental policy are sometimes used interchangeably, although they obviously differ (see also Text box 3.1). DG Environment itself seems to advocate a more holistic view on Sustainable Development. The 6th Environmental Action Plan (see below) would provide the environmental dimension of the EU SDS.¹ In addition

¹ Commission Communication on the Mid-Term Review of the Sixth Community Environment Action Programme, Brussels, 30 April 2007.

to the environmental dimension, the SDS would have an economic and social dimension. Sustainable development would be the overarching objective of the EU that governs all Union policies and objectives.

In other EU policy documents and debates, it is less clear how the concepts of sustainable development and environmental protection overlap and differ. For instance, the European Council refers to sustainable development as a fundamental objective of the European Union.² Critics point out that sustainable development has become a concept which is too vague and unspecific to guide policy-making. It is considered to distract attention from a clearer focus on environmental objectives.

As a result of the focus on sustainable growth, an element of the Lisbon Strategy has become to improve the quality of environmental regulation. In line with the 'Better Regulation' agenda, the objective is to avoid unnecessary administrative burdens and to simplify legislation.³ A preference is given to using market-based mechanisms to deliver environmental results and to share experience with environmental policy implementation. Pallemmaerts et al. (2006) consider the focus on growth, competitiveness and reduction of administrative burden as the reason for less environmental legislation in recent years. Moreover, they are critical with regard to the use of the open method of coordination in environmental policy-making.

² Presidency Conclusions, Brussels, European Council, 14 December 2007.

³ Commission Communication on the Mid-term Review of the Sixth Community Environment Action Programme, Brussels 30 April 2007.

Climate change

More recently, climate change has become a policy priority in its own right. It is discussed at regular intervals in the European Council, and the EU's active support to the Kyoto Protocol has become an emblem of its ability to pursue a successful foreign policy (Van Schaik, 2009). Climate change has obvious links to many other policy areas including energy, transport, industry, agriculture, regional policy, external relations, and development cooperation.

What are the consequences of climate change being an EU political priority? On the one hand, the attention given to climate change may have reduced attention to other environmental policy issues. But on the other hand, it may well have increased overall visibility of environmental policy and sustainable development. Climate change has attracted the attention of the general public and high-ranking politicians and is now recognised as a principal threat to global development. The issue is discussed elsewhere in this study. It is sufficient to state here that the way climate change has risen on the agenda may well provide lessons for other issues in environmental policy and sustainable development.

3.2 Integrating environment and sustainable development objectives in other policy domains

The relationship between environmental policy and sustainable development becomes evident when the EU Treaty-based objective to integrate environmental protection into all policies is compared with the SDS that covers sustainability issues in EU policies, such as sustainable

Text box 3.1 – Sustainable development and environmental protection as defined in EU treaties and key policy documents

According to the EU, sustainable development means that the needs of the present generation should be met without compromising the ability of future generations to meet their own needs (see Renewed Strategy for the EU Sustainable Development Strategy, adopted in June 2006). This definition stems from the Brundtland report of 1987.

Sustainable development is mentioned in the following articles of the Treaty on European Union (TEU) and the Treaty establishing the European Community (TEC):

Article 2 (TEU) mentions sustainable development as a European Union objective together with economic and social progress and a high level of employment.

Article 2 (TEC) states that a task for the European Community is to promote harmonious, balanced and sustainable development of economic activities, together with other objectives which include sustainable growth and a high level of protection and improvement of the quality of the environment.

Article 177 (TEC) states that EC development cooperation shall foster the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them.

Article 3 (TEC) refers to a policy in the sphere of the environment as one of the activities of the European Community.

Article 6 (TEC) stipulates that environmental protection requirements must be integrated into the definition and implementation of European Community policies and activities referred to in Article 3, in particular with a view to promoting sustainable development.

Articles 174–176 (TEC) constitute the Environment Chapter of the European Union Treaty. These articles refer to the specific objectives of EU environmental policy, approaches to use when defining environmental policy, and the decision-making procedure to adopt the policies. Article 176 allows Member States to maintain or introduce more stringent protective measures, provided this is compatible with the TEC (notably its international market rules).

transport. According to Jordan and Lenschow (2008), environmental policy integration is an innovative policy principle designed to deliver sustainable development. It refers to the development and application of various communication, organisational and procedural instruments. A weak form occurs when sectors simply take environmental considerations into account without giving them priority on principle. A strong form corresponds to placing environmental considerations at the heart of decision-making in other sectoral policies (see also, Nilsson and Eckerberg, 2007).

Jordan and Schout (2006) have illustrated the difficulty of making the objective of environmental policy integration operational and of ensuring that environmental protection is truly integrated in other EU policies. The Cardiff process was launched in 1998 to achieve more environmental integration, but progress has been hindered by segmented structures, sector-specific political cultures, insufficient capacity and know-how, and contradicting political preferences on specific policy issues. The statement that 'where you stand depends on where you sit' remains relevant. It prevents ministers and their staff, in areas such as transport, energy and agriculture, from looking much beyond the economically defined interests and objectives related to the policy issue under their responsibility.

However, attaining environmental objectives often relies on activities in other policy areas. It makes little sense to declare environmental policy important if no action is taken in other areas. Realising this, processes are in place to ensure more attention is given to environmental and sustainability impacts of European policies within and outside Europe. An example is the sustainability impact assessments conducted for proposed trade agreements. Over the years, environmental protection has become a key political issue in the EU and is broadly supported by public opinion and political parties. The mere fact that environmental policy integration is stated as a specific objective in the EU Treaty also illustrates the importance attached to achieving a higher level of environmental protection. There are only two other objectives that have to be taken into account in all policies. These are gender balance (article 3:2, TEC) and coherence with development cooperation objectives (article 178, TEC).

Environmental policy is often referred to as an area where the EU influences most policies of the Member States. Therefore, an important issue is how well environmental policy integration is safeguarded at the EU level. In the European Commission, DG Environment seems to be a relatively strong and inter-service consultation and impact assessment ensures that environmental impacts can be identified when new legislative proposals are prepared. Also, consultation among cabinets and adoption of European Commission policy documents by *the College* of Commissioners and not by individual Commissioners, could be considered advantageous for environmental policy integration. However, the political culture of not minding the business of other Commissioners and European Commission services could be considered to be a barrier. In external relations conducted by the European Commission on behalf of the EU, integration and coordination mechanisms are weaker, but attention to the link between

sustainable development, trade, agriculture and fisheries has increased somewhat over the years.

Despite intense lobbying by the private sector, the European Parliament, with a strong environment committee, is also considered to be a relatively pro-environment force (Bomberg, 2009). The real difficulty seems to be with the Council and its strongly segmented structures of Council formations and working parties (Hayes-Renshaw and Wallace, 2006). Here, it is difficult to overcome a sector-specific focus.

Both the Sustainable Development Strategy (SDS) and the Climate and Energy Package were discussed in the European Council, where the political leaders of the Member States have the legitimate right to supersede the ministerial level. The SDS was prepared in an ad-hoc working party in which Member States were invited to delegate staff from various departments. To ensure coherence between the recently adopted EU directives and decisions from the Climate and Energy Package, a strong intervening role was given to the Committee of Permanent Representatives 'Coreper'.

How environmental policy and sustainable development are defined has consequences for the allocation of capacities and responsibilities. Should the objectives be safeguarded by a more active DG Environment and/or should capacity for the issue be scaled up in other DGs (as tried in the Cardiff process)? Could the Secretariat-General do more to promote policy coherence throughout the European Commission's services? Is the concept of sustainable development useful to guide policy-making or is it too broad? Should this be the responsibility of DG Environment, as is currently the case? The visions in *Getting in the right lane for 2050* provide some direction to answering these questions with regard to climate, energy, transport, and land use, as presented in Chapters 5 and 6.

3.3 A new Environmental Action Programme?

With regard to the choice of priorities in environmental policy, a key question is whether the European Commission will present a new proposal for an Environment Action Programme. The current 6th Environment Action Programme covers the period from 2002 to 2012, and identifies four priority areas: climate change, nature and biodiversity, environment and health, and natural resources and waste.⁴ In a mid-term review of the programme in 2007, the European Commission concluded that despite progress made, the magnitude of many environmental challenges is also increasing and Europe is not yet on the path towards a genuine sustainable development.⁵

It is generally expected that the new European Commission to be installed in the autumn of 2009 will decide the formulation of the 7th Environment Action Programme, but the policy

4 Decision No 1600/2002/EC of the European Parliament and of the Council of 22 July 2002 laying down the Sixth Community Environment Action Programme.

5 Commission Communication on the Mid-term review of the Sixth Community Environment Action Programme, Brussels 30 April 2007.

framework is not yet clear. The programming approach may hinder opportunities for integrating environmental objectives into other policy domains. Other domains may lack a sense of ownership when environmental objectives are already defined and new developments are more difficult to take into account.

In those areas where scientific evidence indicates that the environment is deteriorating, new policy responses are to be developed. The priorities for the 6th Environmental Action Programme were discussed with the European Parliament and the Council, as the programme was adopted through the co-decision procedure. This process may have eroded the European Commission's right of initiative, but arguably increases the legitimacy and political importance attached to the priorities identified. Hence, if the European Commission develops a 7th Environmental Action Programme, adoption through a co-decision procedure is again the most likely scenario. This means that the European Parliament and Council would become involved in setting the priority areas for new and additional environmental policies, as well as the environmental objectives.

3.4 An overview of relevant policy processes

There are a number of strategic policy processes on the EU agenda in the coming five years that are likely to have lasting effects for the longer-term future of the EU, and the sustainability of its policy course. An overview is presented of general EU policy strategies and the specific areas covered in the *Getting in the right lane for 2050* study. The overview builds on an earlier inventory of EU policy processes made by IEEP (2008).

General strategic policy processes

- A review of the *EU budget* includes finalisation of an ongoing mid-term review of the current financial perspectives, due before the end of 2009 and, subsequently, development of the financial perspectives for the period after 2013. Relevant issues include the future of the budget for agricultural subsidies, research and innovation, regional solidarity (e.g., resources to connect regions), climate change, and a general focus on sustainable development.
- *Lisbon Strategy* revision. At the Spring Council of 2011, the European Council is expected to adopt the next cycle of the Lisbon Strategy. The new European Commission is likely to start working on the post-2010 strategy. The revision provides an opportunity to reconsider how to promote sustainable growth, competitiveness and employment policies simultaneously.
- Increased attention is also expected to be given to the *external dimension of the Lisbon Strategy*. It focuses on the competitive position of the EU in the world with specific attention to EU trade relations, particularly non-tariff

barriers, liberalisation of services markets, investment policies, public procurement, protection of intellectual property rights, and market access. The Swedish Presidency is expected to respond to a Communication on this issue that was presented in December 2008.⁶ The current focus on narrowly defined economic interests of the EU could be extended, for instance, by giving attention to the value of ecosystem services.

- *Better regulation*. In 2009, a third strategic review of the better regulation agenda is expected, together with a review of an action plan to reduce administrative burdens by 25% by 2012. The common approach to impact assessment, including environmental and sustainability impacts, will also be reviewed.
- *8th Framework Programme for Research*. The current EU 7th Framework Programme for Research runs until 2013. Two to three years before this date, the European Commission can be expected to consider the priorities. The total research budget is likely to be related to the overall EU budget discussions. These discussions could provide opportunity to strengthen focus on research on sustainable technologies in the energy and transport sectors and to support efforts to better understand and quantify the value of ecosystems goods and services.
- The *EU Sustainable Development Strategy (SDS)* will be reviewed by the European Council in December 2009. The European Commission has been asked to elaborate a vision of the EU on its way to sustainable development over the next 50 years. It already published the 2009 review of the SDS.⁷ In times of economic crisis, political backing for long-term sustainable policy choices may be more important than ever before. Moreover, the SDS review may provide opportunity to further test and work out ideas for a Green New Deal.
- *Environmental policy objectives, priorities and integration* into other areas. The EU may adopt a 7th Environmental Action Programme in 2012 (see above).
- *Aid and trade* will remain on the EU agenda. However, no large policy initiatives are expected in the short term, with the European Consensus on Development⁸ in place, the MDG deadline only in 2015, and the Doha Development Round negotiations stalled within the WTO. If the Lisbon Treaty enters into force, the position of aid and trade in the overall framework of EU foreign policy is likely to be reconsidered in the context of the establishment of the European External Action Service. Attention is likely to continue on the relationship between development cooperation on the one hand and climate change and security issues on the other. Furthermore, new impetus is needed to finalise negotiations on the Economic

6 Communication of the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the External Dimension of the Lisbon Strategy for Growth and Jobs: Reporting on market access and setting the framework for more effective international regulatory cooperation.

7 Communication from the Commission to the European Parliament, Council, etc., *Mainstreaming sustainable development into EU policies: 2009 Review of the European Union Strategy for Sustainable Development*, COM (2009) 400, Brussels 24 July 2009.

8 European Consensus on Development, 2005.

Partnership Agreements with groupings of ACP countries (see, Lui and Bilal, 2009).

Specific policy initiatives related to the policy issues

discussed in the *Getting into the right lane for 2050 study*

Climate change and energy are likely to remain high on the EU political agenda. In the second half of 2009, attention will focus on whether the EU will manage to seal an ambitious international climate deal at the Copenhagen Summit. In terms of policies, a new Energy Efficiency Action Plan is scheduled for 2009, and a new overall Energy Action Plan is to be adopted in early 2010. In 2010, the European Commission also plans to submit a 'Roadmap towards a 2050 Energy Policy' setting out the actions to achieve zero-carbon electricity supply for the EU by 2050. In addition, a number of decisions are to be taken to ensure implementation of the recently adopted climate and energy package. Moreover, new policies are expected to further integrate low-carbon strategies into other EU policies and to stimulate innovation in clean technologies.

Land use and biodiversity. In 2010 to 2012, the new European Commission will develop proposals for revision of the Common Agricultural Policy (CAP) post-2013. A raw materials strategy may be presented by the end of 2010 following a Communication presented at the end of 2008.⁹ This may lead to pressure weakening the protection of natural areas now protected under the Birds and Habitats Directives. Rules regarding Natura 2000 areas would prevent companies from pursuing (environmentally damaging) mining activities within the EU. It is the question how the raw materials strategy is related to the 2005 thematic strategy on the sustainable use of natural resources that is to be reviewed in 2010.¹⁰ Another discussion likely to come to the forefront is that of new objectives for post-2010 biodiversity policies to be set in the Convention on Biological Diversity, and of whether the objective of halting biodiversity loss on the EU territory will be continued. The value of ecosystem goods and services within Europe and beyond is likely to gain increasing recognition.

Transport. In June 2009, the European Commission presented a Communication on the future of transport, which identifies longer-term trends and challenges.¹¹ The European Commission is conducting a consultation on this report. Earlier did it conduct a consultation on its Green Paper on trans-European transport networks¹². In the context of its 'greening transport' package, the European Commission worked out a strategy to internalise external costs of

transport. As a result, a proposal to integrate emissions from freight transport into the EU Emission Trading Scheme is also expected.¹³ The same applies to maritime emissions, unless agreement can be found within the IMO. In 2010, a new White Paper on Transport is expected which could include such concrete proposals.

9 Communication from the Commission to the European Parliament and the Council, The Raw Materials Initiative – Meeting Our Critical Needs for Growth and Jobs in Europe, COM (2008) 699.

10 Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, *Thematic Strategy on the sustainable use of natural resources*, COM(2005) 670.

11 Communication from the Commission, Sustainable future for transport: Towards an integrated, technology-led and user-friendly system, COM(2009) 279/4.

12 Communication from the Commission, Towards a better integrated transeuropean transport network at the service of the common transport policy, COM(2009)44.

13 Communication from the Commission, Greening transport, COM(2008)433; Strategy for the internalisation of external costs, COM(2008)435.

4

The future role of the EU and long-term institutional challenges

This chapter considers four possible scenarios for the EU's long-term future and its role in the world. These scenarios were worked out because we believe that the back-casting analysis used in *Getting in the right lane for 2050* implicitly assumes a logic of 'global sustainability' and 'global governance'. The visions imply, to some extent, that sustainable development is important to the EU and the rest of the world. Furthermore, the world will be better off with a coordinated global effort in which countries agree on goals, on sharing burdens and benefits, and on strategies to achieve the objectives in the visions. This logic or 'worldview' is, however, not necessarily shared by all, neither within the EU nor in other world regions. In fact, the global context in which the EU operates may be entirely different in the future. Constructing explicit, possible scenarios enables us to better identify possible constraints to institutional options that we identify for getting into a more sustainable direction in the fields of energy, land use and transport.

4.1 Possible future for the EU

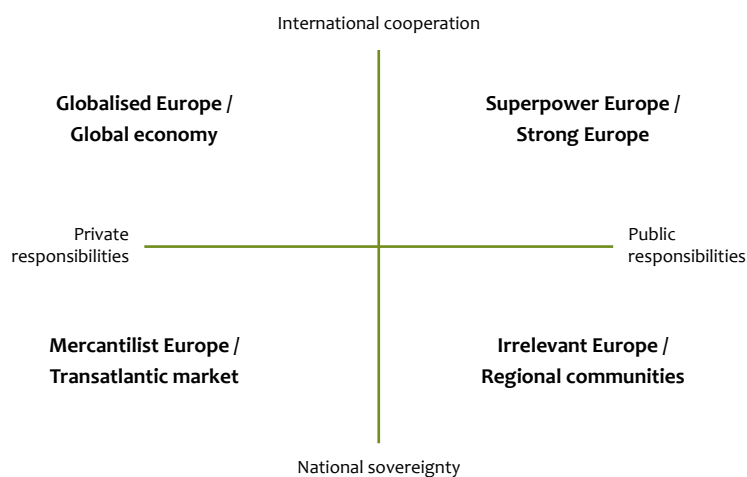
There are various world views and associated story lines and scenarios on the future role of the EU in the world. A 'world view' constitutes a way of perceiving the world, a value-laden vision of the world that structures the interpretation of past developments and extrapolates to future developments. Whether the EU can achieve the visions on sustainable development put forward in *Getting in the right lane for 2050* and operate as a 'sustainability force' in the world is likely to depend on how the wider international setting develops. Even if EU political choices are made in favour of the visions in *Getting in the right lane for 2050*, and if the EU is willing to pursue these in world affairs, EU effectiveness depends on its relative power with regard to other regions.

There is considerable uncertainty about global developments that may largely determine EU relevance on the world stage. Different world views provide different readings of the major uncertainties and may help strategic thinking on these issues.

The world views analysed in this paper focus on the different roles the EU could play in the global context. It is assumed that these roles mirror international developments that are largely beyond the EU's direct influence. In a more globalised world, the EU is more likely to focus on international issues. However, it could also be argued that the EU develops not in line with global developments, but in reaction to it. Following this perspective, a more hostile world would increase the willingness of Member States to work together. This may be the case, but since such a development is also likely to sharpen interests and divisions between Member States, we consider it more likely that cooperation between Member States develops more or less in the same direction as global developments.

Analysts have taken many different positions in the debate on the future global role of the EU. For instance, some analysts have high expectations of the emerging EU foreign policy (e.g., Cameron, 2007; Keukeleire and MacNaughton, 2008), while others consider EU foreign policy to be ineffective (Mahbubani, 2008). In line with the latter criticism, the external relations of the EU are imaged in terms of an expectations–capabilities gap, in which the EU cannot live up to its promises (Hill, 1993). According to this view, the EU does not possess meaningful military capacities, nor is it using its economic powers sufficiently to gain political concessions. Some argue this should be remedied by an increase in Europe's military power, while others claim it more useful to deploy its economic power and ability to set product standards to stimulate worldwide adoption of these standards. Yet others point to the EU's normative power (Manners, 2002). Due to its own construction and adherence to values, such as human rights and sustainable development, it would inspire others and sometimes be able to define what passes for 'normal' in world politics (which again assumes a different world view).

Different views on the future of the internal functioning of the EU also influence the role the EU can be expected to play in the world. The latter will depend largely on the outcomes



Four world views of the EU structured in two key dimensions.

of the integration process within the EU and the institutional capacities it develops for foreign policies (Van Schaik, 2008).

Since World War II, the world has shifted from a bipolar world during the cold war to a uni-polar world in which the United States was the main superpower. Nowadays, there is a multi-polar world, with Brazil, Russia, India and China (the so-called BRICs) increasing in strength and several distinct concentrations of power are emerging. The traditional powers, including a number of EU Member States and the United States, are becoming less important, and have difficulty recognising that the world is changing (Mahbubani, 2008). Some even speak of the emergence of a non-polar world (Haass, 2008) with numerous centres of power.

In a non-polar world, power is no longer confined to a limited number of state governments, but is dispersed among a variety of state and non-state actors, be it multilateral organisations, regional organisations, multinational business and NGOs. In a multi-polar or non-polar world, finding collective solutions for global challenges becomes increasingly more complicated, and concerns about stability may increase. Against this background, possible futures for the EU in the world are elaborated. The debate has been structured in terms of four world views, distinguished in two main dimensions (Labohm et al., 1998; De Mooij and Tang, 2003, PBL, 2008):

1. the predominance of public interests versus private interests in international relations (*public versus private responsibilities*)
2. Further integration of political units (states and/or regions) into the international systems versus fragmentation that isolates blocs and states (*international cooperation versus national sovereignty*).

The world views are depicted in Figure 4.1.

The world views are *Superpower Europe*, *Globalised Europe*, *Mercantilist Europe* and *Irrelevant Europe*. In Section 4.2, these

world views are used to sketch scenarios for the future Europe.

4.2 Scenarios for Europe

This section describes four possible futures for the EU, the role it will play in the world given its interdependence on the rest of the world, and the way sustainable development is handled within the EU and globally.

Superpower Europe

In *Superpower Europe*, international cooperation flourishes with a strong focus on public responsibilities for sustainable development. In this setting, the EU can lead the world as a 'sustainability force', making use of its economic and political power. The EU becomes a power that tries to provide shelter against the negative effects of globalisation. EU enlargement continues and neighbourhood policies are strengthened. It may take time, but eventually the EU will overcome the issues of treaty and institutional reform. After the Lisbon Treaty is ratified, further institutional reforms will allow the EU to effectively play the role of 'sustainability force'. In this scenario, Member States are willing to sacrifice larger parts of national sovereignty to intensify European integration on cross-border policy issues, and to strengthen the EU position on the global stage to deal with global sustainability issues.

There is strong political will within the EU to align economic, social and environmental domains and to give primacy to fairness and environmental objectives. A new SDS strategy will guide policy development throughout the European Commission services. Policies build on long-term legally binding objectives, regulations and taxation to complement market-based mechanisms. They focus on correcting market distortions and pricing the environmental cost of economic activities. EU budgets will increase for these issues as countries pool national resources for pan-European implementation, *de facto* making the EU also a spending power.

At global level, EU leadership is strong on the common issues and the EU is using and improving diplomatic abilities to achieve sustainable development objectives in external relations. Trade is considered an important mechanism for global integration, a way forward to peace and democratisation, and is made pro-poor and green. The EU becomes one of the world powers in the global arena, focusing on a wider set of normative issues beyond using its power to achieve market efficiency. It does so by trying to strengthen multilateral institutions across the board.

In return for improving international governance for sustainable development, the Member States are willing to give up national representation in international organisations and to be represented by the EU. These organisations include the World Bank, the International Monetary Fund and the United Nations, including exchanging the seats of France and the United Kingdom for one EU seat in the Security Council. The G8 will become a G20, with different membership constellations depending on the issues discussed. All are part of a series of grand deals to achieve international collaboration with the main centres of powers in the world in solving sustainability issues. But, as it is difficult to gain consensus on all matters all at the time, the EU also actively engages its political and economic powers in arrangements with a limited scope and limited number of state and non-state actors.

Globalised Europe

In *Globalised Europe*, the European economy becomes not only strongly integrated with the rest of the world through trade, but also through migration and foreign investment in Europe. Economic globalisation is the main driving process. In this scenario, policy aims to create open markets, but is also characterised by a low level of government interventions and high level of international cooperation on market issues. Free global markets are in the interest of the EU, and internationally the EU leads selectively by looking after its own interests in global markets. A new 'Lisbon Strategy' will guide policy development throughout the European Commission services. Policy coherence is important to the extent that it supports economic interests. Primacy lies in achieving economic objectives in external relations, and the EU is reactive on issues of environment and development. Budgets for these issues may increase slightly, and will be generated through market-based instruments.

EU international leadership will focus on seeking voluntary multilateral solutions to address international policy issues, with an emphasis on the application of market mechanisms and a primacy for the private sector. In this scenario, the EU is only willing to give up its overrepresentation in international organisations if this contributes to further global economic integration.

EU enlargement continues and neighbourhood policies are strengthened for economic reasons. As a consequence of further expansion, the EU will become a pan-European free-trade zone. In the EU, centralisation will take place provided it supports the development of an internal market. Sustainable development is tuned to economic objectives, and policy

instruments applied by the EU correct market distortions and failures to create a level playing field.

Mercantilist Europe

In *Mercantilist Europe*, the external orientation will be limited. In a world economy characterised by rivalry, the EU will develop into a trade bloc that shields itself from the outside world, in order to preserve its own level of social security and ecological standards. After the economic crisis that started in 2009, the EU will remain an area of relative prosperity that is difficult for outsiders to penetrate in terms of people and goods.

The strategy is geared to protection of national interests, for instance over natural resources. After the enlargements of 2004 and 2007, EU governance was not further reformed and most Member States do not see this as an issue. Further enlargements have been halted or slowed down, only the Balkan countries and Iceland are allowed in, under strict conditions. Neighbourhood policies are restricted to strategic countries with respect to resources. The EU is an economic union, but the process of further global economic integration will come to a halt in this scenario.

Political and military cooperation to strengthen EU foreign policy capacity are stalled. Multilateralism is not a viable direction forward in this scenario, because the EU concentrates on protecting national economic interests and is divided on which international course to advocate. Some see trans-national cooperation between the United States and EU as a form of economic integration with low cooperation costs fitting in this logic (De Mooij and Tang, 2003). European policies are only modified to strengthen self-sufficiency. The G8 will remain an important vehicle for guarding interests of the traditional industrialised countries. The contrast with the developing countries is great. Trade agreements between the richer parts of the world are to the disadvantage of the poor. There is little or no interest in solving global sustainability issues.

Irrelevant Europe

In *Irrelevant Europe*, the EU would not be able to reap the benefits of its economic integration, would move too slowly, be too mild-mannered and end up on the side-lines of global politics, behaving like a 'giant Switzerland'. The European project is finished with the achievement of the internal market, including some environmental policies. New EU policies will be difficult to achieve and will have to acknowledge high environmental and social concerns among the populations of several major Member States. Cynically, this could be considered a continuation of current trends (Rood, 2009).

The power centres of the world will be the United States and Asia, and somewhere in between the EU Member States will be operating independently. This situation may occur as a consequence of further EU enlargement and lack of internal integration, 'paralysing' the EU first internally and then on the global stage. Some of the larger Member States may try to influence global processes or build coalitions with other regions. Zielonka (2006:4) compares the EU to a medieval

state, a maze where different legal, economic, security, and cultural spaces co-exist, cross-border multiple cooperation will flourish, and the inside/outside divide will be blurred. The EU may engage in ‘multilateralism à la carte’, when it fits its own agenda, but will not otherwise be able to actively support multilateral cooperation.

European policies are limited to market integration, which politically may make it easier to continue with the enlargement process. Besides the rules governing the internal market, preference will be given to soft-law instruments with little attention to compliance. The common agricultural subsidies will be replaced by national subsidies. Dumping of subsidised agricultural products on world markets will continue and have negative effects on agricultural sectors in developing countries. Funds to support poorer regions in the EU and to connect them with richer regions will be reduced.

Although it becomes rather obvious from the above scenario exercise that the Superpower Europe model may be most beneficial to the EU’s sustainable development agenda, we realise that other scenarios may become reality too. We will take this into account in the next chapters, that consider the EU’s internal and external policy set-up related to energy, land use and transport.

5

Adjusting EU internal governance structures for more effective sustainable development policies

To get Europe on track for more sustainable development and to deal with global issues, the EU will have to do its part. This, in turn, has implications for the internal organisation of the EU. This chapter examines the key governance issues in the three policy areas of the *Getting in the right lane for 2050* study: energy and climate change; land use and biodiversity; and transport, climate change and economic competitiveness. It discusses the following issues:

- whether the current division of competences allows for new initiatives at the EU level (subsidiarity);
- the allocation of tasks within EU institutions to balance the need for policy coherence with a sufficient level of relevant expertise and capacity;
- which policy instruments are most appropriate to make desired long-term changes; and
- whether additional financial investments would be needed.

Obviously, these issues of EU internal governance are linked with EU external relations. These links are addressed in Chapter 6, in which the EU role in global sustainable development processes is analysed.

5.1 Subsidiarity: towards a greener Europe, but slowly

For all three sectoral issues covered in the *Getting in the right lane for 2050* study, competences are only partially transferred to the EU level, which limits the ability to deal effectively and efficiently with these issues. This does not imply that the EU level by definition is the most effective for addressing policy issues. However, dispersed allocation of competences can lead to a lack of ownership with regard to responsibilities, turf wars between departments or government levels, and an overload of policies. The rules for allocation of competences are laid down in the EU treaties and are affected by treaty amendments, such as those proposed in the Lisbon Treaty.

In *energy and climate change*, policies are based primarily on the internal market and environment articles of the EU Treaty (articles 95 and 174 of the TEC). The Lisbon Treaty introduces a chapter on energy and includes climate change as an explicit policy objective. Currently, this is not the case.

The provisions of the Lisbon Treaty are not revolutionary. EU governments will, for instance, retain national vetoes over their energy mix. The Lisbon provisions, however, illustrate the increased importance attached to dealing with climate and energy policy at the EU level. Energy objectives referred to resemble those formulated in European Commission documents and Council Conclusions. They are to 'ensure the functioning of the energy market; ensure security of energy supply; and promote energy efficiency and energy saving and the development of new and renewable forms of energy' (art. 194, Treaty on the Functioning of the EU, hereafter TFU). The Lisbon Treaty adds an extra aim 'to promote the interconnection of energy networks' and states that energy policy should be carried out by Member States in a 'spirit of solidarity'.

From the perspective of an integrated approach, it is relevant to note that climate change is not mentioned in the energy chapter, but is included in the environment chapter (art. 191, TFU). As in the current treaty, energy is still referred to in the environment chapter. It stipulates that unanimity of all Member States is required for 'measures significantly affecting a Member State's choice between different energy sources and the general structure of its energy supply'. This provision is repeated in the energy chapter. It illustrates the importance Member States attach to the national veto over their energy mix, also when energy policy is directed towards reaching environmental objectives.

Member States are wary of transferring competences to the EU level largely because their energy mix varies a great deal. Some Member States rely to a large extent on nuclear energy,

while others have decided to phase out this energy source. Only a few Member States have gas, while others have abundant coal reserves (Behrens et al., 2009). The potential for renewable energy also varies. Difference in energy sources have consequences for energy infrastructure choices, energy cost, greenhouse gas emission patterns and options to make a transition to a more sustainable energy system. Nevertheless, several EU laws have been adopted that affect the energy choices of the Member States. A prominent example is the recently adopted Renewable Energy Directive that contains mandatory renewable energy targets for each Member State.¹

The energy chapter in the *Getting in the right lane for 2050* study illustrates that the future energy system needs to be more coordinated for ambitious climate targets to be met. This will likely require more energy policies at the EU level, or at least intensified coordination among the policies of the EU Member States. This in particular concerns the oversight of and investments made into the grid, research spending and making a strategic choice on the use of bio-energy (since its availability will be limited). Coordinated policy action may also be needed to avoid different systems emerging in the various Member States, for instance, with regard to transport systems and accompanying infrastructure.

Land use and biodiversity are related issues, but differ considerably in the context of EU treaties. Biodiversity is clearly an issue within the remit of the environment chapter, where a long-standing practice of EU policies is in place (for example, the Birds and Habitats Directives, Natura 2000). The broader land-use issue is related to environmental policy, agricultural policy and the issue of territorial cohesion. The last one of which is included in the Lisbon Treaty.

In the environment chapter, land use is explicitly mentioned as an issue for which Member States have retained national vetoes (with the exception of waste management). The need for unanimity also applies to two related issues: town and country planning, and quantitative management of water resources (article 175:2, TEC). No changes are foreseen in the Lisbon Treaty. Veto powers with regard to land use and the related issues of country planning and water management may hinder effective decision-making if the EU is willing to pursue an integrated policy on sustainable land use. In such circumstances, the Lisbon Treaty foresees a provision for the European Council to change the decision-making procedure from unanimity to qualified majority voting.

In agriculture, Member States have fully transferred competences to the EU level and decided to cooperate under the Common Agricultural Policy (CAP). In the treaty chapter governing the CAP no reference is made to its effects on land use, or on nature protection and the environment, or on its impacts outside Europe. Nevertheless, environmental policy integration and policy coherence for development objectives

¹ Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC.

could be considered a treaty-based justification for paying explicit attention to this relationship.

An important change in the Lisbon Treaty is that Member States have finally accepted sharing decision-making powers with the European Parliament in the field of agriculture (Kurpas et al., 2007). Co-decision is now the procedure used for the adoption of most EU legislation, but was not allowed in agriculture. Since there is also a strong role for the Special Committee on Agriculture in preparing Council decision-making, decisions by the Agriculture Council are currently criticised as overly focused on farmer (economic) interests, with little attention to other objectives, such as the environmental one. This is reinforced by the fact that the European Parliament has no say with regard to ‘compulsory expenditure’ in the EU budget, which consists mainly of the agricultural funds. Here, the Lisbon Treaty proposes yet another change to the benefit of the powers of the European Parliament. Power-sharing with the European Parliament on agricultural policy, as proposed by the Lisbon Treaty, may lead to a more balanced decision-making process in which other interests, including the environment, are given more priority.

The inclusion of the objective for territorial cohesion is another novelty of the Lisbon Treaty. This may, in the future, influence the relationship between biodiversity and land use, but the impact of this relationship is difficult to assess, because the concept of ‘territorial cohesion’ has not yet been defined. Evers et al. (2009) put forward five possible definitions: socio-economic convergence, economic competitiveness, rural potential, spatial planning, and policy coordination. Their study responds to a call for a definition the European Commission put forward in a consultation after the publication of a green paper on territorial cohesion. For achieving the 2050 visions identified in the *Getting in the right lane for 2050* study, it may be helpful to include land use and biodiversity in the definition of territorial cohesion. In any case, the concept may help to clarify the policies and funds the EU has at its disposal to address different regions and how activities reinforce or undermine each other.

With regard to the issue of *transport*, competences are also dispersed. Transport is an issue in which European and national policies co-exist. The policy is governed by articles 70–84 of the TEC, which in recent treaty amendments has focused more on regulatory measures (to open up transport markets) and environmental aspects of transport policies. Co-decision applies to part of the transport policies. It does not apply to those principles of the regulatory system for transport that can have a significant impact on standards of living and employment. For such issues, Member States have retained national vetoes and the European Parliament is merely consulted. For other measures, the European Parliament does not have co-decision powers, but adoption in the Council is subject to qualified majority voting, making it easier to reach agreement. Rules to abolish discrimination between transport providers of goods are subject to this provision.

The competence division is sensitive, which is perhaps most clearly illustrated by the fact that when the European

Commission develops new policies, committees with Member States representatives monitor closely whether or not competences are being overstepped. The Lisbon Treaty will extend the use of co-decision to all transport policies, which increases the powers of the European Parliament with regard to transport measures with a significant impact on standard of living and employment. Transport will be listed explicitly among the policy areas under shared competence.

Transport infrastructure strongly influences the amount of transport emissions that can be emitted. Most infrastructure is developed under national policy premises. To improve interconnectivity throughout the European Union, the aim is to work towards trans-European networks. Such networks are not only established in transport, but also in telecommunications and energy (article 154, TEC). Guidelines and measures governing trans-European networks can be adopted through the co-decision procedure. In 2004, the European Parliament insisted on strengthening environmental rules and the inclusion of a strategic environmental impact assessment as a binding requirement in the revision of the guidelines for trans-European transport networks. However, in agreeing the allocation of projects, the Member States do not always adhere to the environmental rules and hardly monitor them during project implementation. Hence, in terms of infrastructure, transferring competences to the EU level does not automatically result in a more sustainable Europe.

Research

Another horizontal policy issue where subsidiarity plays a role, is research policy, a crucial instrument for sustainable development policies (see below). Most resources for research policy are allocated at national level. A recurring criticism is that this has led to research spending being more dispersed and fragmented, leading to less output per euro, compared to the United States and Japan (Banchoff, 2002). As a consequence, one of the objectives is better policy coordination, which occurs through the open method of coordination. According to Tilford and Whyte (2009), considerable improvements could be made in connecting R&D activities of European universities and companies. They also point to the need for more investment in human capital by strengthening national education policies and the need to take a decision on a single European patent which currently hinges on the number of obligatory languages. In the Lisbon Treaty, research policy will become a shared competence, indicating it is likely to become easier to develop a common European research policy.

5.2 Policy coherence and capacity for a sustainable Europe

It is a challenge to integrate environmental policy objectives into other policy areas. A central question is how to ensure policy ownership for sustainable measures in policy areas, such as agriculture and transport, where the traditional constituency tends to have other priority objectives. Achieving environmental policy objectives depends on how responsibilities and administrative capacity within the

European institutions are allocated, especially within the Commission.

Energy and climate change

A pressing issue in EU climate change policy is whether there will be a specific Climate Commissioner in the new College of Commissioners. A related question is whether responsibility for climate change policy, or parts of it, could be transferred to the future Energy DG. Thus far, energy has been combined with transport, but recently it has been decided to separate the two. Since most greenhouse gas emissions within the EU originate from energy-related activities, an argument could be made for administrative integration. However, such a development could also hinder integration of climate change objectives into other policy areas, such as transport, agriculture, regional policy and external relations. It may also dilute the environmental focus of climate change policies, replacing it with a stronger focus on co-benefits with energy security. Moreover, transferring climate change to another DG may weaken the position of DG Environment in relation to other DGs.

The discussion on allocating responsibility for climate change is also ongoing in the European Parliament and the Council. The establishment of the temporary climate change committee in the previous European Parliament (2004–2009) illustrates that climate change is increasingly being considered politically as a horizontal policy issue. However, the legislative proposals of the climate and energy package were not discussed in the climate committee, but in the environment (ENVI) and industry and energy (ITRE) committees. This illustrates that the previous European Parliament hesitated with regard to whether an integrated approach to climate change was desirable or possible. The European Parliament that took office in July 2009 decided to keep the current division between the committees.

Within the Council, an almost regular involvement of the highest level composed of the political leaders of the Member States meeting in the European Council has emerged. International climate change policy received attention at the highest political level when the United States withdrew from the Kyoto Protocol in 2001. Only at the Hampton Court Summit (2005) did climate change and energy become a substantive issue on the agenda. This resulted in the ambitious *triple 20 goals*² set at the Spring Council of 2007, and recent agreement on the Climate Action and Renewable Energy package in December 2008. In the negotiations for this package, the Environment and Energy Council were responsible for negotiating specific proposals, but there was a strong intervening role for the permanent representatives of the EU (Coreper). Also, this illustrates the willingness of Member States to take an integrated approach to climate and energy policy.

Because climate change has become a policy priority, its integration into other policy areas is gaining ground. But,

² By 2020, the EU was to reduce emissions by 20% (compared to 1990 levels), increase energy efficiency by 20%, and increase the share of renewable energy to 20%.

even here much still needs to be done to include emission considerations in decision-making on all EU policies.

Land use, food and biodiversity

In this field the potential for a coherent policy on land use is undermined by the dispersed competence allocation between the EU and Member States, and the uncoordinated environmental, agricultural, and infrastructural policies.

An important issue in preserving biodiversity is whether DG Environment is strong enough to ensure an increased focus on sustainable land use in new proposals on agricultural policy within the European Commission. Actors involved in the decision-making process on agricultural policy-making are currently primarily focusing on the short-term economic interests of European farmers (e.g. DG Agriculture, Special Committee on Agriculture and the Agriculture and Fisheries Council). This undermines the potential for environmental policy integration. The situation may improve with enhanced use and improved quality of integrated impact assessments and likely involvement of the European Parliament as co-legislator. In the European Parliament, consideration could be given to including agriculture in a committee dealing with other issues, such as food safety, and nature protection and biodiversity policy. Combining agriculture with other issues could also be considered in the Council and Commission structures.

With regard to biodiversity loss, the value of ecosystems to human well-being needs to be acknowledged, as illustrated by an extensive study on the economics of ecosystems and biodiversity led by Pavan Sukhdev (2008). Although food shortages are unlikely in the EU, more sustainable land use has clear benefits for availability of drinking water, fishing water, air quality, greenhouse gas emission reductions and food quality. To further synergies, the value of ecosystems could be made more explicit. This requires more attention to ecological values in economic planning and statistics (e.g., strengthening the work on environmental accounts by Eurostat backed up by revised EU legislation on this matter³). In the European Commission services, more staff could be charged with gathering and analysing ecological data in DG Ecfm and/or DG budget.

Transport

Transport is the most problematic sector for reducing greenhouse gas emissions. This is partly due to the relatively high costs of reducing transport emissions, for instance, compared to emissions from electricity generation (Banister, 2009). But, apparently it is also politically difficult to prioritise environmental objectives in decision-making. The value attached to mobility and the contribution from the transport sector to economic growth are important for DG Transport, the Transport Council and the Industry, Transport and Energy committee of the European Parliament. Political debates on vehicle emissions and road pricing have proved difficult,

but the recent publication of the Communication 'Greening Transport' illustrates a positive turn.⁴ This initiative has been taken by DG Transport. Together with a Communication on internationalising the external costs, and a proposal to revise the directive on infrastructure to charge for heavy goods vehicles, it illustrates that DG Transport seeks ownership of the agenda to make transport more sustainable.

With regard to infrastructure a tension exists between economic and environmental objectives. Removing bottlenecks and building new connections contributes to strengthening the EU economy and social cohesion. It is, thus, a vital element in the Lisbon Strategy for growth and jobs. At the same time, the design of future EU transport and energy infrastructure will have substantial impact on greenhouse gas emissions, on the potential for renewable energy sources, and on other issues related to environmental protection and sustainable development. To date, economic considerations have dominated infrastructure decisions, but this may no longer be the case when fundamental choices are required to avoid a lock-in of unsustainable infrastructure.

Impact Assessment

The integrated impact assessment is a horizontal tool that has tremendously improved the potential to look after the environmental dimension of European Commission proposals. It examines economic costs and benefits of new proposals, as well as environmental and social impacts. Critics claim assessments are used primarily to justify policy avenues preferred by the responsible European Commission service. However, at the same time, they provide an opportunity for DG Environment to structurally engage in proposals with a potential environmental impact. The quality of impact assessments over time is improved notably, because of a strong overseeing role of the Secretariat-General of the European Commission. The assessments allow the Council and European Parliament to take into account environmental impacts when adopting new EU policies. Further improvements to the instruments and making the findings more comprehensible would make them even more useful (Jacob et al., 2008; Hertin et al., 2008).

A related tool is the Sustainable Impact Assessment. This instrument was used for external policies such as trade negotiations. They are criticised for differing substantially in quality and scope. As with the integrated impact assessments, it is difficult to judge whether their insights are really taken into account for making the final decisions. At the end of the day, it is up to the College of Commissioners to weigh various objectives and their underlying values. Subsequently, for most issues, the Council and European Parliament can also make adjustments. Often, it is not possible to subject their – sometimes rather substantial – amendments to a renewed impact assessment. Thus, the instrument has its limitations and even if it can make environmental and sustainable impacts explicit, this does not guarantee these impacts to be taken into account in the political decision-making process.

3 This is advocated by the Statistical Programme Committee in November 2008, cf. http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_DS_ENVACC/PGE_DS_ENVACC/TAB63643792/ESEA%20REVISION%202008_0.PDF

4 Communication from the Commission to the European Parliament and the Council – Greening Transport, Brussels 8 July 2008, COM(2008) 433 final.

Different forms of impact assessments are now being integrated into one system within the European Commission.

5.3 Smarter policy instruments and focus on innovation

For all three sets of issues, the goals set in the *Getting into the right lane for 2050* study are likely to come nearer when ambitious, legally binding, long-term quantifiable targets are set, for instance, within the context of the 7th Environmental Action Programme. The choice of policy instruments is also important. In some cases, establishing a price mechanism will be most appropriate, whereas in other cases regulation may be more suitable. The key questions with regard to innovation are :

- How to stimulate development of breakthrough technologies and large-scale deployment of cleaner technologies, without knowing beforehand which will truly yield the most effect?
- How to design a policy framework in which the market will select the technologies that are best for the environment, in the longer term?
- How to avoid lock-in to wrong technologies?

The EU Emission Trading Scheme is the most important policy instrument in *energy and climate change*. It covers about 45 per cent of greenhouse gas emissions. According to some, it is too early to evaluate its contribution to low-carbon innovation. Others argue it is already clear that the instrument will not lead to low-carbon investments on a scale needed to make the transition to a low-carbon economy (Henningsen, 2008). At least not in the EU, since the sectors involved are allowed to purchase a considerable amount of (cheap) credits abroad. Hence, the EU will have to consider new and additional measures to stimulate low-carbon investments. Consideration could be given to additional subsidies, research spending, and/or setting emission reduction standards for production processes (e.g., in the steel, cement and power sectors). Imposing standards would, however, be contrary to the spirit of the emission trading instrument.

Additional energy efficiency standards are needed in sectors not covered by the Emission Trading Scheme, such as emissions from the building sector, land-use change, or road traffic. Member States agreed to effort-sharing targets to reduce emissions in these sectors, but they depend largely on new EU policies to reach them, since their own policy autonomy is curbed by internal market and state-aid rules. An area where the Member States can do more is that of greening public procurement.

Direct financial EU support at considerable scale is unlikely in the short term, given the relatively small size of the EU budget. In the Lisbon Treaty, measures related to taxation remain subject to decision-making by unanimity. This constrains the likelihood of adoption of carbon or energy taxes at EU level. Nevertheless, the European Commission could still publish a new proposal for an energy tax in 2009.

Much progress can be made in *biodiversity* with proper enforcement of the Birds and Habitats Directives. In a

longer term perspective, consideration could be given to developing an overarching framework directive for nature preservation taking into account the effects of other EU policies (e.g., agricultural policy and regional funds). Efforts could be made to disseminate the impacts of other policies and to put monetary value on ecosystem goods and services. Food pricing could be considered and designed so that the production of red meat, for which a considerable amount of feedstock is needed, becomes more expensive. This could also lead to a reduction in greenhouse gas emissions, since cows emit a significant amount of methane. If no action is taken, it could become a real challenge to increase agricultural productivity while safeguarding biodiversity and the value of ecosystems to human well-being.

In *transport*, inclusion of specific sectors in the Emission Trading Scheme is increasingly being considered. A decision has been made to include aviation emissions. If no agreement can be found within IMO, emissions from inland waterways may be the next candidate.⁵ Other policy instruments include infrastructure charging and vehicle emission standards. Options on a national level are vehicle tax, petrol tax, road tax and road pricing. A critical question is whether our future transport will have hydrogen-powered or electric vehicles. Preferably, the market will choose, but there is a strong relationship between infrastructure design and research priority choices made in the coming years. Wrong or uncoordinated choices of infrastructure and research could diminish the potential contributions from the transport sector to lowering emissions and catalysing economic growth.

A cross-cutting instrument is investment in *research and innovation*. The way research and innovation policies are designed and implemented is the key to achieving ambitious and sustainable objectives in climate and energy policy, food security and transport. The European Commission is in the lead with regard to EU research programmes, but activities are closely monitored by committees of Member States representatives. About one third of the funding has been allocated by the recently established European Research Council to support investigator-driven frontier research. The Research Council operates rather independent of the Member States and European Commission. The Joint Research Centres of the European Commission have an important role in guiding EU policy development directly. In addition, Member States have their own funding for research projects. In general, this structure carries the risk of duplication of research efforts. The diversity and competition between European research programmes, however, may also be considered a strength.

5 Communication from the Commission to the European Parliament and the Council – Greening Transport, Brussels 8 July 2008, COM (2008) 433 final.

5.4 Making the EU budget more sustainable

Budget allocations illustrate policy priorities. They not only directly support policy directions, but also leverage developments. Budget for innovation in a more sustainable economy is currently being debated. Ideas on a Green New Deal are in fashion, because the economic situation has deteriorated in a similar way to that of the 1930s. But the scope of such a ‘grand project’ is not yet completely clear. Recently, the EU budget has shifted more towards innovation policies. In terms of funding, research comes third, after agriculture and regional development. This reflects its strategic importance in the Lisbon Strategy.

Energy and climate change

The transition to low emissions in order to retain a stable climate will require dramatic shifts in investments (Adelle et al., 2008). The EU can make a small, but not insignificant contribution. Its efforts are particularly important, since national climate change policies tend to address only national costs. In the current budget, reduction in greenhouse gas emissions is mentioned in various budget guidelines, although on many occasions it seems an addition of little substance (Behrens et al., 2008; Adelle et al., 2008). Earmarking funds for climate change and creating a dedicated budget line would improve budget capability to deal with these issues (Behrens et al., 2008). Parts of the Structural Funds could be earmarked for combating climate change, for instance, to support achieving the objectives set in the Energy Performance of Buildings Directive (Adelle et al., 2008).

Politically sensitive issues are those around the adoption of a carbon tax, and allowing revenues from auctioning emission credits within the EU Emission Trading Scheme to flow into the EU budget. Thus far, Member States have opposed fiscal measures at the EU level, which makes it difficult to suggest these measures as a future option (Wilkinson et al., 2008). Nevertheless, in a longer term perspective, financing the transition to a low-carbon economy is likely to require more funding at the EU level, or concerted action by the Member States (so as not to distort the internal market).

Land use and biodiversity

Lowering CAP subsidies or renationalising agricultural subsidies may hamper them becoming subsidies to stimulate biodiversity and sustainable land use. Instead, CAP funding could better be diverted to respond to biodiversity loss, while taking into account the effects of climate change. The CAP could provide a framework to guide a climate-sensitive form of sustainable land management through remuneration for ecosystems services (Adelle et al., 2008). In particular, there are opportunities to introduce climate change issues in the emerging issue of ‘territorial cohesion’, for instance, by encouraging programmes to focus on the unique geographical assets of specific types of regions (Adelle et al., 2008).

Transport, climate change and competitiveness

Transport should not lock the EU into a high-carbon infrastructure, especially in the new Member States, where new investments are immense. Investments in separate

sustainable energy and transport projects should also be avoided (Adelle et al., 2008).

Since implementation of the trans-European network projects is financed by community funds and by loans from the European Investment Bank, attention is geared to integrating sustainability standards into the disbursement criteria of these funds. Thus far, this has been difficult and even if established they are not always adhered to during project implementation. A general problem is that, even if sustainability criteria are adhered to, the funds for the projects are generally too limited to make a difference (Tilford and Whyte, 2009). It is, therefore, even more important to ensure that climate change objectives are integrated in the national investments in transport and energy infrastructure. The effort-sharing targets to reduce emissions may provide a rationale to look at emission effects of all investments made by EU Member States, including those from new infrastructure investments.

5.5 Cross-cutting themes

Examination of issues of subsidiarity, policy coherence, policy instruments and budget in all three areas, have led to the identification of key issues for further consideration.

The limits to Europe

With regard to EC competence and subsidiarity, it seems that the policy issues covered in *Getting in the right lane for 2050* could be more effectively addressed at the EU level (e.g., safeguarding biodiversity and reducing transport emissions). The development of the EU would have to go into the direction of what we called the Superpower Europe scenario. However, the question remains to what extent intensified coordination of national policies could achieve the same result as a completely harmonised EU policy. Taking legitimacy concerns into consideration for some issues, justification of EU involvement is difficult to find. Indeed, even in a longer term perspective, we see hardly a role for the EU in policies directly influencing lifestyle choices.

Appreciating environmental politics and insights

To foster policy coherence or environmental policy integration, the degree to which these materialise differs greatly between the three policy domains. Although climate change considerations are increasingly recognised in other policy areas, including the transport sector, this is less so for biodiversity. It demonstrates that environmental policy integration requires a high level of political support. Even then, effort is required to scale up administrative capacities, to improve knowledge on impacts and to allocate (joint) responsibilities. This would require a strong Europe and hinges on the belief that its policies can set in motion developments in the private sector towards a sustainable low-carbon economy.

No European money, but trading, norm setting and common research

The difficulty of using financial instruments at the EU level, both taxation and subsidies, limits the potential for effective

policies. It is unlikely that the national veto on taxation will be buried in the short term, and just as unlikely that the EU will become a spending power overnight. This means that the best instruments available will continue to be regulation, market-based mechanisms and national policy coordination.

Research and innovation are vital instruments to get the EU on a more sustainable development track. The key challenge is to find a balance between the need for fundamental research and to provide incentives to let the market choose the most promising sustainable technologies to enhance scaling up and large-scale implementation. Subsequently, the question is where the EU level or the national level has a comparative advantage with regard to funding fundamental research on the one hand and providing the right incentives for innovation on low-carbon solutions on the other. A related issue is whether competition between the EU Member States is effective or a risk, as it could lead to market distortions and duplications. Again this depends on the vision one has on the value of inter-state cooperation. We assert that more coordination at the EU level will be beneficial, but arguments in favour of the opposite could be made as well.

Greening the budget

The EU budget is unlikely to increase much, in the short term, which means that resources for sustainable policies have to be found in other budget items. High oil prices, in combination with smart EU policies, may trigger a development in the private sector towards low-carbon innovation, but we question to what extent this will really happen, and if so, if the speed and scale of the transformation will be sufficient. With regard to the protection of biodiversity and sustainable food systems, we see little incentives outside government spending. Infrastructure, too, seems an area where additional funds are needed to redirect investments in a greener direction. Therefore, in the longer term, budget expansion in specific areas at EU level seems required, in order to stimulate the transition to a more sustainable economy. Until that time, more resources could be diverted to research and innovation on sustainable technology development and deployment, and spending criteria for other budget items could be made sustainable development proof.

6

Strengthening the role of Europe in global sustainable development processes

This section addresses the levers the EU has available to create international cooperation, how to better incorporate the external dimension of its own actions and the windows of opportunity to do so. Although the EU alone cannot determine the extent to which the global objectives of the 2050 visions can be met, we do not see the EU to be irrelevant at this moment in time and consider it to have influence on international policy directions. In the short term, the EU is a considerable powerhouse in terms of trade and aid volumes. Its position on international issues is often an important reference point for other countries.

6.1 European leadership or 27 national foreign policy actors

The EU actively pursues multilateralism and collective action of Member States for sustainable development. It considers the UN as the bedrock of the international system. The EU also advances its own model of regional integration.

EU credibility in the world is largely determined by its own internal capacity to deliver. Its leadership depends on getting internal policies right and creating linkages with a coherent set of external policies, unity between Member States, and capacities to deliver internally and externally (Vogler and Stephan, 2007). The EU is clearly considered to be a leader in the climate negotiations, where it successfully convinced other states to continue with ratification of the Kyoto Protocol after the United States withdrew (e.g., Oberthür and Roche-Kelley, 2008; Groenleer and Van Schaik, 2007). For negotiations on a treaty to succeed the Kyoto Protocol, the EU has matched international ambitions by agreeing, in late 2008, on a far-reaching and ambitious set of greenhouse gas reductions and renewable energy laws.

The EU's climate policies have clear implications for the scope and mandate of the position the EU can take in the international negotiations and its credibility (Van Schaik and Van Hecke, 2008). It is not clear whether this will be sufficient to convince the key negotiating partners to agree upon an

ambitious climate agreement with binding emission reduction targets. Extra incentives may be needed, but it is not yet clear what the EU is willing to do in this respect. For instance, will countries that do not take up a carbon commitment be threatened with trade sanctions? Will the EU be able to offer considerable financial resources for technology transfer and adaptation to developing countries? And will it be able to grant concessions in the climate negotiations by establishing linkages to other international issues?

For other issues in sustainable development, it is less clear whether the EU is the environmental leader. In the context of WTO negotiations, it could be questioned, for instance, whether more attention to environmental policy issues is simply unrealistic, or if the negotiators of the European Commission's DG Trade have not given the EU environmental objectives sufficient priority (Vogler and Stephan, 2007). The same applies to EU efforts to get emission reduction policies on the agenda of the ICAO and IMO (international transport), which so far has backfired. In general, it has been difficult to impose EU sustainability standards on other parts of the world. This applies particularly to the EU biofuels standards and the ban on GMOs, which are contested and even considered by some to be disguised trade barriers. To achieve EU objectives, such as halting biodiversity loss and desertification, more resources need to be provided. Without these resources, developing countries cannot be expected to do much to adhere to internationally agreed objectives.

EU leads a coalition of the willing for sustainable development

New coalitions may be needed in the future. In order to reduce pressure on demand for Russian gas, a relevant option seems cooperation with China on renewable energy and clean coal technologies. Although different interest constellations may be suitable for different interests, it is not always clear whether the EU is strategically addressing potential coalition partners. Much time is devoted to internal discussions on the position of the EU during coordination meetings. This reduces time for outreach and coalition building. Moreover, it leads to relatively long EU wish lists with little focus on what the EU could offer the negotiating partners in return.

Another effect is the focus on principles, such as the precautionary principle. The EU tends to be well prepared and to have its arguments in order on the overarching objectives that need to be adhered to. It is less able to formulate a position and respond to concrete issues, such as whether nuclear energy should be promoted globally as a low-carbon technology.

The new US Government is expected to be more favourable to advancing sustainable development objectives in international negotiations. Nonetheless, the current economic crisis may make it more difficult to overcome short-term economic interests which have halted progress, for instance, in the Doha Development Round. The fear of increased protectionism in these times of economic downturn hinders enthusiasm for new discussions on environmental, social and food safety standards. However, such discussions on improving standards will be unavoidable in a few years time, in order to achieve sustainable development objectives and to secure a level playing field for companies.

EU diplomatic ability to promote sustainable development policy objectives beyond Europe

The extent to which the EU is able to promote its sustainable development objectives beyond Europe is linked to its political will and strength vis-à-vis international partners. It is also linked to the way decision-making is organised on international positions and external representation. Usually, international positions are subject to an intense coordination process by the Member States. This process is most pronounced in the context of negotiations in international organisations. As a rule of thumb in such settings, the EU lead negotiator is the European Commission for areas of exclusive EU competence, and the rotating Presidency for areas of shared EU competence. Whether the European Commission or the Presidency is in the lead is important, because the lead negotiator is usually the driving force behind the development of the EU position. The lead negotiator has to constantly report in EU coordination meetings and seek prior approval for changes to the EU mandate. The European Commission sometimes allows itself some more freedom, particularly on trade-related issues, where it is more knowledgeable than the representatives of the Member States.

Because the European Commission has to stay within the remit of issues where it has exclusive competence (e.g., trade, agriculture), the EU capacity to negotiate in international bodies often depends on its rotating presidency. The continuity of capacity is constrained by the fact that this responsibility has to be taken on by another country every six months. This contrasts with the tendency of international negotiations to drag on for years and to be characterised by a high degree of technical complexity and trust-building between the key players.

Moreover, negotiation is a skill generally best practiced by diplomats, whereas the Member States usually charge environmental experts with conducting the negotiations. The environment departments and ministries are responsible, since they have the capacity to master the technical

complexities that characterise most of the international environmental negotiations. Perhaps, they are also most sincere in achieving the EU environmental ambitions, instead of just wanting an environment summit to be perceived as a success.

However, particularly in environmental policy, it may not always be most effective to talk to colleagues from – relatively weak – environment ministries, but rather to stronger ministries of finance, economic affairs, or to the office of the president or prime minister. Embassies may help in identifying the most reliable and strong partners in other countries. Another diplomatic challenge is to keep issues, such as sustainable development and climate change, high on the agenda of international meetings, such as the G8/G20 meetings and the UN General Assembly and Security Council.

Acknowledging the importance of professional diplomacy, the EU in 2003 established a ‘green diplomacy’ network of officials dealing with international environment and sustainable development issues in ministries of foreign affairs and their diplomatic missions. The network aims to integrate sustainable development and environmental matters in ongoing, regular multi- and bilateral foreign policy discussions. It focuses on environmental topics that have significant relevance to EU external relations, such as climate change, biodiversity, land degradation and renewable energy.

It is difficult to say whether the green diplomacy network is effective beyond the issue of climate change, which has a very high political profile. Foreign ministries are not responsible for the advancement of the international sustainable development agenda, which may dilute their sense of ownership of the agenda.

Potential role for the High Representative and External Action Service

The trade-off between a more diplomatic or environmental approach to sustainable development may appear theoretical, but this could change soon enough. The relationship between foreign policy and sustainable development may gain greater focus with the establishment of the European External Action Service proposed in the Lisbon Treaty. This relationship may also be strengthened with the new figure of the High Representative of the Union for the Foreign and Security Policy, currently being negotiated. The High Representative, who would also be Vice-President in the European Commission (HR/VP), and chair and represent the Foreign Affairs Council, will be responsible for the consistency of EU external action. He or she will take charge of the European Commission’s responsibilities in external relations and coordinate other aspects of EU external action. The person could hence claim responsibility for external representation in international organisations, including environmental organisations.

A larger role for the European Commission in external representation

A related issue is the ongoing effect of the principle of parallel competences established by the European Court of Justice. It stipulates that once EU legislation is in place, the

Commission has the right to represent the EU in international negotiations. When the boundary between exclusive and shared competence is vague, for instance, because new EU legislation is adopted, the Commission may claim an issue to be within its remit and, thus, have principal authority over external representation (Eeckhout, 2004). Following this logic, the recent adoption of the revised and highly centralised Emission Trading Scheme makes it difficult to deny European Commission demands to lead the EU in bilateral negotiations on linking the scheme to other emission trading schemes. Possibly in legal terms, the European Commission may already be in a rightful position to lead the EU in the UNFCCC climate negotiations. Although, in political terms, this could upset the Member States and, hence, be counterproductive, a shift in allegiances could be envisaged in a scenario where presidencies fail to deliver.

In such a situation, it still is the question whether non-EU states accept the European Commission delegation to replace the EU Member State delegations in inter-state negotiations (Laatikainen and Smith, 2006).

The various formats currently used for external representation and the strong role of the rotating presidency undermine the potential for policy coherence, consistency, continuity and confuses negotiating partners. Therefore in our view, in the longer term, the EU Member States will need to decide whether they can accept the High Representative or European Commission to take over the lead in negotiations on environmental issues.

System reform of international organisations

Next to being an actor in ongoing international negotiations on sustainable development issues, the EU also acts in the debate on reform of the system of international environmental governance, and the system of international institutions.

In June 2005, the European Council officially proposed to transform the United Nations Environment Programme (UNEP) into 'a UN agency for the environment with a revised and strengthened mandate, supported by stable, adequate and predictable financial contributions and operating on an equal footing with other UN specialised agencies'.¹ The European Council also sought to strengthen the focus on environmental issues in the WTO, the IMF, the World Bank, the UNDP, and other international organisations. Furthermore, the EU was the main advocate for inclusion of an environmental dimension in the formulation of the Millennium Development Goals. Moreover, it is a staunch supporter of the European Commission on Sustainable Development (CSD) and the vast majority of Multilateral Environmental Agreements (MEAs).

The current overrepresentation of the EU in a range of international organisations is a source of irritation to fast-

growing economies, such as the BRICs.² Inevitably, the EU's declining economic power foreseen in the 2050 visions in *Getting in the right lane for 2050* means the EU will have to give up some of its representation. In return, the EU could demand the strengthening of UNEP and more attention for environmental issues in other international forums. Alternatively, it could ask for returns from the BRICs in the highly politicised climate negotiations.

Internally the EU is highly divided with regard to when and how EU overrepresentation is to be diminished and how UN reform should be conducted. For instance, consider the highly politicised questions of a single EU seat in the UN Security Council and International Finance Institutions. However, when playing fair and being generous, the EU could obtain support for a sustainable UN infrastructure, while creating future friends. The BRICs may appreciate EU efforts when, over time, increased living standards are likely to raise popular interest in these countries on the issue of sustainable development.

As long as the EU is still very powerful, it could use these powers to set the UN reform agenda. This would be preferable to waiting until its powers are confronted or diluted, something likely to occur when the system of international organisations loses its relevance for upcoming powers.

6.2 Integrating sustainable development objectives into the overall framework of EU external relations

Strengthening sustainable development objectives in the external dimension of EU policies can be challenging, since EU constituencies tend to be more interested in the EU internally (except for development NGOs). Developing countries do not always appreciate the EU effort to 'green wash' development policies. Nonetheless, the EU is committed to contribute positively to sustainable development in its neighbouring countries and in developing countries. It is also in the EU's interest that other countries develop into a sustainable direction, in terms of economy, resource use and security.

Integrating environmental objectives in the European Neighbourhood Policy

The EU has a clear objective to integrate environmental objectives into its relationship with accession countries and the countries covered by the European Neighbourhood Policy (ENP), as well as with Russia. With the Mediterranean region, the most important objective is to decrease pollution levels in the Mediterranean Sea (the horizon 2020 initiative). With the eastern neighbours and Russia, the focus is primarily on improving energy efficiency.

In the context of the Mediterranean partnership, there are plans to stimulate solar energy on a considerable scale, to improve grid connections ('Mediterranean electricity ring'),

1 Presidency Conclusions of the European Council of 16 and 17 June 2005, issue no. 39.

2 The BRICs have also called for urgent action with regard to voice and representation in the IMF to better reflect their real economic weights, see BRIC countries joint communiqué for the G-20, 14 March 2009.

to cooperate on energy efficiency and to develop energy statistics and regulatory issues. To date, little progress has been made, because political dialogue was halted after the most recent conflict in the Gaza strip. A centre for renewable energy for the Middle East and North Africa (MENA) has been established in Cairo with support from the European Commission, Denmark and Germany. The German-supported Desertec initiative that aims to stimulate solar power in Northern Africa and to work towards grid interconnection between the MENA region and the EU, is linked to this centre. The EU also accepted Abu Dhabi to host the recently established International Renewable Energy Agency (IRENA).

In Eastern Europe, the Regional Environmental Center (REC) plays an important role in supporting environmental initiatives. For years, the Regional Environmental Center for Central and Eastern Europe has been at the forefront of helping governments to implement EU environmental legislation, to build up know-how and to fund specific projects. Other centres have been established in Moldova, in Russia, in the Caucasus (with the headquarters in Tbilisi, Georgia), and Central Asia (with the headquarters in Almaty, Kazakhstan). These centres are supported by the European Commission.

In its most recent sectoral progress report, the European Commission expressed concern that the ENP partners are making limited progress in implementing sustainable development.³ Sustainable development strategies have been established and inter-ministerial structures are in place, but they are very slow in delivering.

Although efforts undertaken with support of the EU are noteworthy, real progress is undermined by an apparent lack of interest in sustainable development by the (possible) candidate countries and ENP-countries. Sustainable development can be expected to become more important to these countries as they become economically more prosperous. At that stage, however, pollution may have already deteriorated living conditions.

This provides a rationale for the EU to consider stepping up efforts with regard to sustainable development issues. This can also be in of direct interest to the EU. For instance, cleaning up the Mediterranean Sea, reducing use of fossil fuels, and making similar choices with regard to transport systems and infrastructure, is also beneficial for the EU. In renewable energy, the potential for solar and thermal energy is greater in the warmer countries of the South. This makes it more cost-effective to produce electricity from solar sources in these countries.

The Renewable Energy Directive allows EU Member States to buy renewable energy outside the EU and to include it in their own targets, but only if this renewable energy is transported physically to the EU. This is a barrier, particularly,

3 Commission staff working document accompanying the Communication from the Commission to the European Parliament and the Council, Implementation of the European Neighbourhood Policy in 2008, Sectoral Progress Report, Brussels, 23 April 2009, SEC(2009) 522/2.

since the current grid is not adequate enough to transport considerable amounts of electricity produced from renewable sources. According to the European Commission, there is also more potential to develop projects generating Kyoto-compatible credits⁴ in pre-accession and accession countries, and in those of the ENP.⁵ These credits can be bought by EU Member States and the private sector covered by the EU Emission Trading Scheme, in order to fulfil their climate targets. Their future is highly contingent on the outcome of the international climate negotiations.

Integrating sustainable development objectives into EU trade and aid policies

EU international powers are derived foremost from trade and aid. The EU is the largest trading bloc, and jointly the EC and EU Member States provide the largest amount of official development assistance (ODA). The EU uses these powers to gain concessions in other areas, such as environmental protection and social standards. Moreover, trade liberalisation in itself is considered to be a means to increase welfare. This feature of EU trade policy is somewhat contested. Critics claim that industrial sectors in developing countries cannot compete with European industry, and cannot meet European environmental and food safety standards, due to a lack of adequate authorities (Orbie, 2008). Instead of demanding market access, developing countries should be given the opportunity to protect their infant industries (e.g., Chang, 2002). Protection of food markets may also be justified.

Another point of criticism is that the EU would officially favour multilateral trade agreements which warrant attention to development and environment. But in reality, the EU is rather comfortable with bilateral trade negotiations in which it can maximally exploit its market power to foster its commercial interests. To a certain extent, this has been illustrated by the negotiations on Economic Partnership Agreements to replace the trade provisions of the Cotonou Agreement. The EU may preach sustainable development, but act according to narrowly defined economic interests.

Some activities illustrate that the EU does pay more attention to environmental and development cooperation objectives in international and bilateral trade negotiations. Under the terms of the EU Generalised System of Preferences, developing countries that have ratified and implemented global environmental agreements can receive special tariff cuts for exports to the EU. In the Doha Development Round, the EU advocated open trade for environmental goods and services. It is keen to ensure that trade barriers to low-carbon technologies are removed. Moreover, the EU is keen to emphasise that multilateral trade rules should respect environmental commitments established in multilateral environmental agreements. Furthermore, the EU advocates

4 Through so-called Joint Implementation and Clean Development Mechanism projects.

5 Commission staff working document accompanying the Communication from the Commission to the European Parliament and the Council, Implementation of the European Neighbourhood Policy in 2008, Sectoral Progress Report, Brussels, 23 April 2009, SEC(2009) 522/2.

giving these organisations observer status. In earlier verdicts in WTO dispute settlements, internationally agreed environmental standards were often adhered to, but this is not guaranteed in legal terms (Van den Bossche et al., 2007).

An important instrument to integrate sustainable development objectives into EU trade policies is the Sustainability Impact Assessment (SIA), which is carried out during every EU trade negotiation. EU draft trade agreements with other countries and regions are examined for potential effects on the environment. According to Bauler (2006), the SIA is designed to allow balanced trade policy, but not to question the general direction taken by trade agreements. Other limitations of the impact assessment instrument were discussed in the previous chapter.

The sustainability focus may be improving in ongoing trade negotiations, but has been largely neglected in two recent trade initiatives. A Communication on the external dimension of the Lisbon Strategy does not pay attention to the environmental dimension of EU trade policy.⁶ Although to a lesser extent, the same is the case for a recent Communication on raw materials. This Communication considers re-establishing mining within the EU. It advocates paying more attention to safeguard European access to raw materials in countries outside the EU, without referring to possible damages to biodiversity.⁷ The Communication does not completely overlook the environmental dimension of raw material extraction. It argues that the EU should promote new rules and agreements on sustainable access to raw materials and underlines the importance of recycling within the EU. It is unclear how the strategy is related to the 2005 thematic strategy on the sustainable use of natural resources, that was initiated by DG Environment.

In development cooperation, mainstreaming environmental objectives and climate change policy, in particular, is now common practice in those countries where it is possible. Country and regional strategy papers to allocate funds have to integrate several elements related to the environment. Little is known, though, about the effects of these efforts, as, in general, they are difficult to measure.

6.3 EU sustainable development policies for the world

The EU is a relatively influential player in setting global standards. Because of the EU's market power, companies are inclined to align production processes to EU standards. In order to secure high standards and a level playing field, the EU is keen to promote its standards in international

6 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the External Dimension of the Lisbon Strategy for Growth and Jobs: Reporting on market access and setting the framework for effective international regulatory cooperation, Brussels, 16 December 2008.

7 Communication from the Commission to the European Parliament and the Council, The Raw Materials Initiative – Meeting our Critical Needs for Growth and Jobs in Europe, Brussels, COM(2008) 699.

agreements. The EU encourages non-EU states to adjust to EU standards, but takes little notice of whether its standards are welcomed, and can be implemented, by other parts of the world, when developing new legislation. When deciding on internal EU regulation, such as the REACH package on chemicals, an integrated impact assessment is undertaken to examine the effects for the environment, economy and employment within the EU. Much less attention is devoted to the impacts on countries outside the EU (Bauler, 2006).

A problem with regard to the EU's efforts to promote sustainable development is that developing countries are generally suspicious of the EU using environmental standards to protect its domestic industries. Countries accuse the EU of having mixed motives when it comes to sustainable development. In some areas, the EU could be more open about its interests and intentions. Consider for instance the EU's interest in reducing its dependence on imported fossil fuels. By acknowledging these interests, it may also be easier to identify common interests. In global competition over resources and land use, sustainable water management, reduction of local pollution and other issues, the sustainable development agenda clearly entails direct benefits for developing countries. This could be made more explicit.

Another feature inhibiting EU efforts to promote sustainable development on a world scale is whether EU efforts in environmental policy and development cooperation are recognised in other parts of the world. An extensive research project on perceptions of the EU in the Asia-Pacific region found that the EU is little known and least of all for its activities related to sustainable development (Holland and Chaban, 2008).

In *climate change*, efforts to mainstream renewable energy and climate adaptation objectives into development cooperation have come a long way. By creating a demand for CDM and JI credits, the EU has stimulated greenhouse gas reduction projects in developing countries and countries with economies in transition. By linking the credits to the EU Emission Trading Scheme, the private sector has become more actively involved in the EU international climate strategy.

In *land use*, the external effects of EU agricultural policy have received increasing attention over the years. But when final decisions are taken on CAP subsidies, for instance, in the context of the EU budget, the external effects do not seem to play a significant role. The EU is sometimes criticised for its policies on genetically modified organisms (GMOs) and biofuels. Scientific evidence would not justify the GMO ban, whereas using it, increases production and could thereby reduce hunger. Moreover, the EU's GMO policy would make it more difficult for developing countries to accept food aid from countries that allow GMOs, such as the United States. Accepting their food aid would make it impossible to export to the EU in the future. The EU biofuel standards would merely constitute a non-tariff barrier for large producing developing countries, such as Brazil. The EU's active support to voluntary agreements in forestry (such as FLEGT) and the palm oil sector is considered more beneficial to stimulating

sustainable development. The more recent attention paid to the value of ecosystems, particularly, to people in poor countries, is also promising.

In *transport*, EU efforts to integrate low-carbon strategies internationally, concentrates on emissions in the maritime and aviation sectors. For years, the EU has aimed to include these sectors in international climate negotiations. Failure to do so has led the EU to advocate low-carbon policies in the context of the international transport organisations ICAO and IMO. Also here, the EU has met considerable opposition which has led to the inclusion of aviation in its Emission Trading Scheme (including flights from and to the EU). The same route is indicated for the maritime sector if no progress is made in the IMO.

6.4 Scaling up resources and funding to promote sustainable development

The EU and Member States provide most of the financial resources for UNEP and the Commission for Sustainable Development (CSD). The contributions from the United Kingdom, Germany and the Netherlands rank above those from the United States (Vogler and Stephan, 2007). Collectively, the EU Member States are by far the largest donor to the UNEP Environment Fund (Damro, 2006). They are also the largest contributors to the secretariats of environmental conventions such as CBD and UNFCCC. The EC pledges voluntary contributions, provides earmarked funds to UNEP and supports international environment organisations in other ways, for instance, by allowing them to participate in European Commission tenders, or by providing expertise to set up environmental monitoring systems.

In comparison to others, the EU's efforts are noteworthy, but in the light of the EU's rhetoric on sustainable development funds are negligible. Even in the high-profile area of climate change, it proves difficult to agree on funding for climate adaptation and technology transfer to developing countries. Resources are very scarce for nature protection in developing countries. Possible options could be to endorse a payment system for ecosystem goods and services, and to increase the use of innovative finance mechanisms. The climate adaptation fund filled with a levy on CDM projects is likely to exceed the resources for adaptation provided through voluntary funds (IIED, 2008). However, whether other innovative finance mechanisms could be considered for raising funds is questionable, since international taxes on, for instance, international transport and weaponry, have never materialised.

6.5 Appreciation of the EU's international efforts

EU leadership on sustainable development has emerged largely by default, because the United States has been absent in key discussions in recent years. EU leadership is characterised by relatively strong sustainable development rhetoric, which builds on principles, such as precaution. However, the EU often does not live up to its own promises

when it comes to real commitments and funding. Its efforts are most pronounced in climate change, but even here it is not yet clear whether the EU is willing to make real sacrifices to convince other countries, and notably the upcoming economies, of the need to join an ambitious climate agreement in Copenhagen, at the end of 2009.

Safeguarding sustainable development in Europe and beyond

For most issues, actions within the EU are likely to have a positive effect on global trends. For instance, emission reductions and technological innovation are likely to have positive spin-offs beyond the EU's geographical remit. For some issues, there are clear choices or even trade-offs regarding the use of resources and policy directions. Examples include whether biodiversity needs to be better protected within the EU, or whether it is more efficient to stimulate increased EU food production to limit the need for unsustainable food imports from other parts of the world. Another example is the cost of greenhouse gas emission reduction, which is likely to be cheaper outside the EU, because energy infrastructure within the EU locks in a considerable amount of future emissions and cannot be restructured overnight.

Technological choices, such as on renewable energy sources, nuclear, clean coal or hydrogen, may also have clear implications. The EU risks drifting away from global trends in making certain choices. For instance, in transport, making an explicit choice for hydrogen or electricity risks placing the EU on a different path to the rest of the world. But without making technological and infrastructural choices, the EU is unlikely to meet its own objectives, let alone the sustainable development visions set out in the *Getting in the right lane for 2050* study.

Organisation of diplomatic capacity and representation

The most significant changes in the short term, with regard to institutional aspects of EU international performance, are likely to be those proposed in the Lisbon Treaty. The new EU foreign policy coordinator and European External Action Service have the potential to strengthen EU diplomatic capacity, visibility and coherence also in sustainable development. But their contribution is likely to need time to mature. Moreover, it has not been decided whether, to which extent, and at what stage international environmental diplomacy will be included in the remit of these new EU foreign policy actors. A key question is whether climate change is considered primarily an environmental, energy or foreign policy issue. Inclusion of trade and aid instruments in EU foreign policy is likely to strengthen the EU's ability to influence sustainable development objectives of developing countries. However, combining these powerful instruments with foreign politics may increase the fear EU citizens have of European superstructures, and is unlikely to be supported by the Member States.

The organisation of the system of international institutions is also likely to change, although the reform process has proved to be a difficult and cumbersome endeavour. The new EU foreign policy actors may help the EU to better articulate a clear and overarching strategy in the complicated debate

on reform of the governance structures of the UN, the World Bank and the IMF. This would perhaps provide new opportunity for advancing the ideas for a World Environment Organisation or to strengthen the sustainability angle of the WTO. In such debates, much will depend on active support by the Member States who set the mandate for EU international positions.

EU's external role depends on which scenario will unfold

It is very important to the EU's role in the world, which of the scenarios sketched in Chapter 4 provide realistic insights. If the EU truly develops into a superpower and the rest of the world embodies inter-state cooperation as the future direction to govern their international relations, this is likely to yield benefits for global sustainable development. However, the question is what the EU will still be able to achieve if other states choose a more unilateral stance, let alone what happens if the EU cannot keep its own ranks closed in advocating international issues, such as sustainable development.

Institutional challenges in the four scenarios



In the previous chapters, governance issues were discussed with regard to internal and external policies relevant to the *Getting in the right lane for 2050* study. A number of closely related institutional challenges for the EU's contribution to sustainable development can be derived from the discussion. These resemble the issues in the general debate on European integration, discussed in Chapter 2. However, it is the question how they relate to the different scenarios that were sketched in Chapter 4. Each of the scenarios has its own specific risks that can be further related to the policy options analysed for achieving the sustainable development visions discussed in the previous two chapters. In Tables 7.1 and 7.2, the meaning of the scenarios for key characteristics in internal and external EU policies are summarised.

7.1 Inherent risks in the possible futures of the EU

In *Superpower Europe*, the visions of *Getting in the right lane for 2050* are on the forefront of the EU's political agenda. However, there is the risk of too much power being shifted to the EU, and too much trust being put in systems of global and regional (such as EU level) governance, creating their own inefficiencies. If the current trend towards more Euroscepticism is not halted, problems of managing legitimacy and public support among the general population can be expected to accelerate in this scenario, if they can be managed at all. This is likely to undermine EU efforts in the field of environmental policy and sustainable development. At the same time, its efforts in these fields may also be appreciated and could contribute to a strengthening of its legitimacy vis-à-vis EU citizens.

In *Globalised Europe*, the visions of *Getting in the right lane for 2050* are to some extent included in the EU's domestic and international agenda, particularly, where in line with the EU's economic objectives. The risks are the likely limitations of European and global liberalised markets to provide (global) public goods, and relying too much on technological solutions to solve these issues. Global markets, for example, may not be that beneficial for the poor in developing countries. In this scenario, the EU's role as an economic power can make a difference in achieving the visions on a global scale.

In *Mercantilistic and Irrelevant Europe*, the focus is on the national level, and only for reasons of national self-interest is an EU role in the world foreseen. This makes it difficult to achieve the global visions in *Getting in the right lane for 2050*. Some European collaboration will still take place in *Irrelevant Europe* provided it helps to achieve visions within the territory of the Member States, and in *Mercantilistic Europe* to support its economic objectives.

To achieve the environmental and social goals embedded in the visions, on a global scale, initiatives will have to come from other regions. The *Irrelevant Europe* scenario may imply that other regions take up the sustainable development agenda within their own region. The risk of this regional approach is that achieving the visions on a global scale becomes more difficult, because of a lack of connection with other regions to do something about global issues. In the *Mercantilistic Europe* scenario, the EU may even work against other regions willing to devote more resources to sustainable development objectives. This is particularly the case when it contradicts the narrowly-defined economic ambitions of Member States, for instance, their thirst for natural resources.

7.2 Overarching insights and challenges

Taking into account the risks and caveats derived from the four scenarios in this section, we aim to bring together some insights. They are meant to stimulate further debate on sustainable development and the future role of the EU.

Leadership by example

EU credibility in the world is largely determined by its domestic performance, as well as its diplomatic capacity to operate effectively on the international stage. If the EU is willing to achieve a more sustainable future in line with the visions set out in the *Getting in the right lane for 2050* study, it would need to step up its efforts. In some cases, for example, for low-carbon transport standards and trans-European networks, this requires better use and scaling up of current institutional arrangements. In other cases, such as the energy grid and protection of biodiversity, additional and new institutional arrangements are needed.

	Subsidiarity	Internal policy coherence	Policy instrumentation	EU budget
<i>Superpower Europe / Strong Europe</i>	EU centralisation / EU as a political project	Strong political will to align economic, social and environmental domain/ primacy social and environmental objectives	Long-term objectives, regulation and taxation to complement market-based mechanisms (correcting markets)	Will increase / EU to become spending power
<i>Globalised Europe / Global Economy</i>	EU centralisation to support internal market / EU as an economic project	Policy coherence to support internal market / primacy of economic objectives	Market-based mechanisms	Shifts in budget allocations
<i>Mercantilist Europe / Transatlantic Market</i>	EU role restricted to protect EU market	Economic interests take priority	Standards and voluntary agreements	EU budget declines and spent according to national priorities
<i>Irrelevant Europe / Regional Communities</i>	Decreasing powers EU / renationalisation	Social and environmental objectives are emphasised	Voluntary agreements, Private sector and local government initiatives; lifestyle changes	EU budget declines

	EU leadership	External policy coherence	EU and sustainable development abroad	Financial resources
<i>Superpower Europe / Strong Europe</i>	EU active and supportive on all global common issues	Strong political will to align economic, social and environmental objectives / primacy social and environmental objectives	Extensive set of policies	Considerably more than today
<i>Globalised Europe / Global Economy</i>	EU leads selectively by looking after its own interests in global markets	Policy coherence to support global market / primacy in economic objectives	Through international market mechanisms	Slight increases; spending brought in line with trade priorities
<i>Mercantilist Europe / Transatlantic Market</i>	EU defends its own interests	Policy coherence on economic issues important to be able to operate strongly in hostile world	Only when in line with economic interests	Cut back
<i>Irrelevant Europe / Regional Communities</i>	EU loses power internationally	No interest in external policy coherence / EU too divided to set international priorities	Private sector and local government initiatives	Less funds

The EU as an economic project and as a political project

If the EU develops as a political project, this would offer room for strengthening sustainable development objectives. If the EU primarily operates as an economic project, responses to social and environmental issues are likely to be more reactive.

A trade-off between widening and deepening European integration

Is EU enlargement at odds with its effectiveness as governing entity? EU enlargement may well fit with the EU as a political project (by extending specific ideals and objectives to neighbouring countries) and as an economic project (by creating a larger market). However, an increased number of Member States makes it more difficult to take policy decisions and is likely to decrease the degree of mutual understanding. Internationally, the EU's increased size may foster its effectiveness, but it becomes all the more difficult to speak with one voice. This again points to the necessity of improving EU internal governance structures.

A trade-off between effectiveness and legitimacy

Subsidiarity and competence in relation to effectiveness and legitimacy of EU policies need to be considered. Is further strengthening of EU decision-making competences really necessary? This is the case for some issues, such as the ability to steer the transition to a low-carbon economy also with

fiscal measures, a more coordinated structure for decision-making on energy and transport infrastructure, and the use of voting to adopt international positions. A larger EU budget raises the issue of the need for EU taxation, which is difficult to envisage when the EU system of democratic representation is not fully accepted and supported by EU citizens. The EU will need to find better ways to demonstrate its added value and to justify its involvement in issues to the Member State governments and EU citizens. This includes those issues the European Commission considers its natural remit (e.g., environmental policies and other issues related to sustainable development). The limits of European intervention also deserve further consideration. For instance, a direct role for the EU seems hardly possible in policies that explicitly aim at influencing lifestyle choices.

Need for global approaches to a wide range of issues

Global cooperation is likely to make tackling global problems, such as climate change and food scarcity, more effective and efficient. If national sovereignty prevails in the future EU, international and European cooperation will be more difficult to achieve. Since the EU is a driving force behind the multilateral system for sustainable development, it is difficult to see this system driving forward without strong EU support. Moreover, it is unlikely that developing countries with limited governance capacities and resources will be able to tackle

sustainable land-use practices and low-carbon investments without international support, even if in their own long-term interest.

EU can be influential in the short term

In the current world, EU directional leadership can make a difference in building global cooperation. Assuming a declining role for the EU in the world, there is an obvious need to use the coming years well. This will require the EU to achieve its full potential, both by setting ambitious policies and by engaging in a more ambitious sustainable development policy.

Long-term objectives and short-term action

In these times of economic decline, it is all the more important to navigate on the basis of strategic long-term objectives. The visions in the *Getting in the right lane for 2050* study can give a clear direction to EU policy-making. These visions are not completely out of touch with EU objectives in place in energy, land use and transport policy. Moreover, achieving them accrues likely technological spin-offs that could help in improving the EU's economic development.

Considering the need for more sustainable policies within the EU and beyond has led to identification of a need for further developments in the process of European integration, without risks to the legitimacy of the EU. Therefore, in the short-term, instruments already in place (e.g., the impact assessment instrument) and the provisions of the Lisbon Treaty (e.g., foreign policy coordinator and external action service) should be well implemented with a view to fostering sustainable development. Another vital element is to establish sufficient capacity and know-how on sustainable development across European Commission services. These efforts can be monitored and strengthened by NGOs, independent research and assessment centres and by the democratically elected European Parliament and EU governments.

This should not hamper consideration of longer term improvements to EU governance structures. Problems with the Constitutional Treaty and the Lisbon Treaty, and the rise of Eurosceptic parties in the most recent elections, do not stimulate enthusiasm for launching a new round of institutional reform. However, discussion of controversial issues seems unavoidable in a longer term perspective. This would include issues such as EU competences, need for EU taxation, and use of voting over international positions. This is all the more necessary since such discussions tend to have a long lead-time in Brussels.

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Environment and sustainable development agenda are closely related to fundamental debates on European integration

Views on desired institutional developments in the EU of relevance to its environmental and sustainable development agenda are closely related to fundamental debates on European integration. This paper identifies a number of internal and external governance issues influencing the EU's capacity to bring itself and the rest of the world on a more sustainable path. By using different possible scenarios for the EU, it points out that their viability is contingent on how the European integration process and the international system will develop. The analysis focuses on three areas: land resources, food and biodiversity; climate change and energy; and transport. For these areas sustainable development visions and the pathways to achieve them have been identified in the study *Getting into the right lane for 2050*, published by the Netherlands Environmental Assessment Agency and the Stockholm Resilience Centre. This paper provided input into this study by specifically addressing governance and institutional issues that need to be on the agenda of the new European Commission to bring the visions closer to reality. It also considers possible directions for policy-making.