



**COUNCIL OF
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NOTE

from :	General Secretariat
to :	Delegations
Subject :	The role of industry and SMEs in combating climate change and moving towards sustainable production and consumption

Delegations will find annexed a note from the Commission on the above subject, which will be dealt with under "other business" at the meeting of the Council (Environment) on 30 October 2007.

**THE ROLE OF INDUSTRY AND SMEs IN COMBATING CLIMATE CHANGE AND
MOVING TOWARDS SUSTAINABLE PRODUCTION AND CONSUMPTION****- Information from the Commission -****Europe's commitment**

Europe has set ambitious targets for greenhouse gas reduction. 20% reduction by 2020, or 30% with international commitment. Carbon emissions, low energy intensity of production and dependency on fossil fuel are just one, important, dimension of unsustainable production and consumption.

The EU's policy on sustainable production and consumption is now being spurred on by the renewed Sustainable Development Strategy. Low material efficiency, pollution, use of hazardous materials, generation of waste, and unsustainable land management are other dimensions of the production and consumption patterns causing environmental degradation and depletion of resources and threatening the quality of life in Europe and globally.

The role of business

Europe's private sector – both large and small businesses - need to adopt more sustainable production processes and practices and bring more sustainable products to the internal and global market. European business has already made significant advances in improving its energy efficiency and environmental performance. It is also well placed to benefit from the opportunities of emerging environmental industries. These industries in Europe are at the global forefront as regards technologies generating a turnover of approximately 2.2% of EU GDP, and employing 3.4 million people. And these industries are growing fast.

EU industrial policy

If European enterprises are to exploit fully new environmental market opportunities and help transform the European economy so that it becomes truly low-carbon, resource-efficient and sustainable, remaining barriers need to be removed and new incentives need to be provided. The mid-term review of EU industrial policy (adopted by the Commission) puts forward sustainability as the main driving theme. Policies are proposed to stimulate innovation, tackle market failures and foster markets for better products and services. Actions will be set forth by the complementary initiatives on Sustainable Consumption and Production and Sustainable Industrial Policy (SCP/SIP).

Focus on SMEs

While EU industrial policy sets cross-cutting principles and priorities special attention must be paid to an important segment of the European economy that may have limited ability to respond to environmental challenges. Small and medium-sized enterprises (SMEs) are collectively the major private employer in Europe and produce 60% of European GDP. They have also a significant aggregate environmental impact including their impact on climate change. SMEs and in particular small and micro enterprises may lack the necessary capacity to identify environmental problems, respond to environmental regulatory actions or react to incentives. As a result, the majority of SMEs do not apply any practical measures to improve their environmental performance and fail to seize opportunities in the new environmental market.

In order to prevent SMEs lagging behind large enterprises in the effort to adopt more sustainable business models the Commission has adopted the Communication on the environmental assistance programme for SMEs. This programme is compatible with the reviewed EU Modern SME policy that considers improving SMEs' growth potential in a sustainable way as one of its priorities. The environmental assistance programme proposes that the Member States and the Commission help SMEs to comply with EU environmental legislation and to continue improve their environmental performance beyond compliance.

The main actions of the programme are:

- (1) Better regulation in design and implementation of policies, to facilitate and minimise the administrative burden of compliance for SMEs, and to free their resources for improving compliance;
- (2) Accessible, tailor-made environmental management schemes, to integrate environmental concerns into the core business activities of SMEs in a coherent and cost-effective way;
- (3) Focused financial assistance and a multi-annual financial programme, to promote and support initiatives by public authorities or business support networks aiming at sustainable production in SMEs;
- (4) Building local environmental expertise for SMEs, to overcome the lack of know-how at company level; and,
- (5) Improved communication and more targeted information, to address information gaps.

Key priorities for the SCP/SIP Programmes

The SCP/SIP programmes will focus on the key environmental issues, i.e. climate change *and* the efficient use of natural resources. Major attention will be given to key phases of production processes, products, consumption patterns, as well as promoting innovation and global action. The actions will reinforce and improve the coordination of existing policy tools, and introduce a number of new instruments to provide additional leverage. The main lines of action are:

Leveraging innovation

An approach that combines a number of tools, such as legal framework conditions, investment in research and development, intellectual property rights (IPR), technology transfer and networking between actors in industry, research, finance, etc.

Leaner and cleaner production

Reinforced instruments such as the revised IPPC Directive and EMAS Regulation will stimulate enterprises to reduce their resource use through the application of best available technologies and environmental management.

Better products

This includes application of eco-design principles to a wide range of products which would lead to realistic but ambitious minimum environmental performance requirements. The future minimum requirements will build on the current best performing products resulting in a dynamic system with progressively more ambitious minimum requirements over time. Front-runners will benefit from incentives.

Smarter consumption

Encourage smarter consumption by improving consumers' access to information and promoting best performing products. To this end the Community eco-label scheme will be revised and new instruments stimulating green public and private procurement and supply chains will be developed.

Global markets

These markets can give European companies “first-mover” advantages in global competition.

Setting global benchmarks for energy and material efficiency and fostering technologies, which can be complemented by international or bilateral agreements on the diffusion and use of environmental technologies.
