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REPORT

From: Permanent Representatives Committee, Part 1

To: Council (Competitiveness)

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Subject: Draft Council conclusions on a competitive European economy:
Industrial competitiveness in the light of resource efficiency
— Adoption

1. On 6 September 2011, the Presidency presented draft Council conclusions on a competitive European economy: Industrial competitiveness in the light of resource efficiency to the Working Party on Competitiveness and Growth.
2. The Working Party discussed these draft conclusions on 6, 13 and 19 September 2011 and reached complete agreement on the text. The Permanent Representatives Committee confirmed this agreement on 23 September.
3. The Permanent Representatives Committee recommends to the Council meeting on 29 September 2011 to adopt the conclusions as set out in the Annex to the present Report.

**Draft Council conclusions on a competitive European economy:
Industrial competitiveness in the light of resource efficiency**

THE COUNCIL OF THE EUROPEAN UNION,

RECALLING:

- The conclusions of the European Council of 23-24 June 2011, which underlined the need for additional efforts by the EU Institutions and Member States to implement growth-enhancing measures, as well as the need for additional action at EU level to unlock Europe's potential for economic growth and job creation, in particular by accelerating work to deliver the EU 2020 flagships and the Single Market Act ¹;
- The need to support the creation of a cross-fertilization process of all seven flagship initiatives under the Europe 2020 Strategy ² in order to develop important synergies among them, notably with a view to meeting new competitive and environmental challenges, as well as the need to combine optimal levels of resource efficiency with industrial competitiveness;
- The Communications from the Commission "A resource-efficient Europe - Flagship initiative under the Europe 2020 Strategy" ³ and "An Integrated Industrial Policy for the Globalisation Era: Putting Competitiveness and Sustainability at Centre Stage" ⁴;

¹ Doc. EUCO 23/11 of 24 June 2011.

² Doc. 7110/10 of 5 March 2010.

³ Doc. 5869/11 of 28 January 2011.

⁴ Doc. 15483/10 of 28 October 2010.

- The Council conclusions on an integrated industrial policy for the globalisation era⁵, adopted on 10 December 2010, and the Council conclusions on tackling the challenges on raw materials and in commodity markets⁶, adopted on 10 March 2011, which all aim at addressing major challenges for industry;
1. WELCOMES the Communication from the Commission "A resource-efficient Europe - Flagship initiative under the Europe 2020 Strategy" that encourages focus on resource efficiency in policy-making with a view to facilitating the development of long-term strategies in industrial policy and other areas;
 2. HIGHLIGHTS the potential of the internal market as one of the EU's most important assets, which should be fully exploited to deliver more sustainable growth and resource efficiency and EMPHASISES the need to include these topics in consumer policy;
 3. HIGHLIGHTS the potential of resource-efficiency to deliver cost reduction and greater competitiveness, especially in view of increasing demand for natural resources, which leads to rising-prices of raw materials, and STRESSES that, therefore, supporting industry's transition to more resource-efficient solutions, in line with the waste hierarchy, and including greater awareness and use of existing resources (both from primary and secondary sources), efficient use of energy, lean production and conducting research on substitutes for natural resources, especially the critical ones, should receive high priority;
 4. EMPHASISES that a strong, innovative, diversified and modern industrial base provides a basis for economic growth and job creation in the EU. Industry is also a major driving force of innovation and resource efficiency; ACKNOWLEDGES that industry has already made important steps towards decoupling economic growth and environmental impacts, reducing emissions and improving efficiency of energy, materials and natural resources, and ENCOURAGES these efforts to be pursued;

⁵ Doc. 17838/10 of 13 December 2010.

⁶ Doc. 7029/11 of 14 March 2011.

5. STRESSES, however, the need for efforts encouraging European companies to improve their resource efficiency and as a result gain a competitive advantage and to minimize costs for industry, in particular by using smart regulation, so that European companies are not at a disadvantage compared to their counterparts in other parts of the world; NOTES Member States' different starting positions, circumstances and potentials as well as their accomplishments;
6. RECALLS industry's need for regulatory predictability and proportionality; HIGHLIGHTS that preventing contraction of the industrial base in the EU, notably due to new burdens that affect SMEs in particular, is one of the most important challenges for EU policies;
7. RECALLS that the EU is convinced of the need to act and thus to make further efforts to promote concerted, global action to tackle world-wide harmful emissions and resource depletion; EMPHASISES the need to ensure cohesion and consistency with international frameworks, such as the World Trade Organisation and the United Nations Framework Convention on Climate Change and the Rio+20 UN Conference on Sustainable Development, planned to be held in June 2012;
8. ACKNOWLEDGES that effective policies to deliver greater resource efficiency and industrial competitiveness must result from a cross-sectoral dialogue with all stakeholders, including industry, science and civil society, and be based on reliable data and ex-ante analyses; ENCOURAGES that decisions taken within such policy areas take into account, on the one hand, the assessment of the capacity of particular industry sectors to make a transition to greater efficiency on their own (related amongst others to available technologies or ability to acquire funding) and, on the other hand, business opportunities (such as new markets and cost reduction).

THE COUNCIL OF THE EUROPEAN UNION,

whilst looking forward to the concrete implementation of the strategies to improve resource efficiency in various policy areas, in particular the Roadmap to a Resource Efficient Europe⁷ and to further proposals, in particular the forthcoming review of the EU Sustainable Consumption and Production / Sustainable Industrial Policy (SCP/SIP) Action Plan:

9. STRESSES that it is particularly important to ensure that the framework conditions for companies across the EU support their competitiveness and their transition towards greater resource efficiency, and that the impact of the current economic crisis is taken into consideration; therefore INVITES the Commission to integrate resource-efficiency considerations in the European Semester from 2012, focussing on giving priority to competitiveness and growth-enhancing measures, which help pave the way for a successful transition to an eco-efficient economy, e.g. through the implementation of the EU sustainable industrial policy;

10. UNDERLINES the need to:
 - a) reduce constraints to better resource efficiency, including inadequate support for R&D and innovation so as to enhance both productivity and sustainability and reduce prices of resource-efficient products and services; and insufficient incentives for investments in resource-efficiency measures; misalignment of these incentives along the value chain, and observed low market demand for more resource-efficient products which fails to attract investors;
 - b) use the opportunities flowing from resource efficiency, including a life cycle approach resulting in the emergence of new, green business models and technologies that support the efficient use of resources;

⁷ Doc. COM(2011) 571 final.

NOTES, in this respect, that challenges relating to knowledge transfer, financing investments in eco-innovation and eco-design as well as access to best practices and available technology are particularly urgent for SMEs; STRESSES the need to streamline support (without prejudice to state aid rules) and to focus on areas in which the achievement of greater efficiency is not possible without additional help;

11. POINTS TO the following resource-efficiency issues, which should be addressed by the Commission and by Member States:

- Policy instruments for increasing resource efficiency should be balanced and supportive of EU industrial competitiveness;
- Industry needs regulatory consistency and certainty in order to develop eco-innovative products and solutions to environmental challenges; the EU should take into account industry's absorption capacity and bear in mind the implications of its decisions for the EU's short-, medium- and long-term global competitiveness. Regulation needs to be consistent, smart, predictable and proportional to business size. It should follow smart regulation principles conducive to sustainable growth and take into account the policies put in place by the EU's major competitors;
- Appropriate support from the future Horizon 2020 framework is needed to generate the level of technological and non-technological transformation required to drive the cost-effective transition to a more resource-efficient economy as well as to spur eco-innovation, technology breakthroughs improving efficiency of processes and eco-design of products. Fair competition between alternative technological approaches should be supported. The importance of key enabling technologies should be recognized. Innovation in all its forms (including services innovation, new business models and clusters) will underpin the development and introduction of more sustainable products and services that can bring benefits to EU competitiveness while alleviating pressure on resources;

- Common consistent information for consumers and other measures should be considered, so as to make consumption patterns more sustainable by stimulating the demand for more sustainable, quality products and turn this into an opportunity for industry. The workforce needs to be endowed with more science, technology, engineering and maths (STEM) and related skills;
- Special attention should be given to SMEs, particularly micro-enterprises, which often do not have sufficient resources to deal with the challenges of the transition to a greener economy; therefore the Think Small First principle should be applied systematically to regulations and actions regarding resource efficiency;
- The dialogue with stakeholders, in particular representatives of industry (especially SMEs) and science, should be strengthened. Such a dialogue should also contribute to raising awareness among entrepreneurs and to convincing them to undertake commitments in the field of resource efficiency on a voluntary basis, based on the awareness that environmental challenges can be turned into business opportunities;
- Indicators to monitor resource efficiency need to be developed and implemented to help companies assess their resource consumption, leading to greater productivity; acquiring reliable data is also crucial for bodies conducting policy-making activities;
- Better understanding of the product life cycle and the resource flow will be crucial to support efforts to optimise the flow of materials (such as the cradle to cradle concept) successfully. In this context, industrial symbiosis and the use of waste as a resource should be encouraged. To this effect, existing waste legislation should be enforced and reviewed. The free circulation of by-products and recycled materials in the internal market should be ensured;

12. Fully SUPPORTS the Commission's work on implementing more in-depth competitiveness proofing, and therefore, INVITES the Commission to:

- Explore in a more systematic way the positive and negative impacts of legislative initiatives and policy instruments, inter alia relating to resource efficiency (in the field of the climate action and, more generally, environment, but also energy, transport and agriculture), on the international, regional and sectoral competitiveness of European enterprises;
- Conduct competitiveness proofing whenever an impact on the competitiveness of European enterprises is likely to occur, even if only indirectly;
- Examine the impact at national and sectoral levels, as well as make an international comparison in order to determine if EU enterprises do or could enjoy a level playing field;
- Carry out a competitiveness analysis also in ex-post evaluations and fitness-checks;
- Develop an indicator-based framework methodology for the evaluation of industrial competitiveness;

COMMITTS itself to assess the coherence between industrial and all other relevant policies, notably through the results of the integrated impact assessment system, including competitiveness proofing; INVITES the Member States to assist the Commission in this task, also by developing similar activities at Member State level.