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Resource efficiency is not a choice, it is inevitable

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Thank you for this opportunity for me to present the Commission vision and actions.

Resources: current state of play

Resource efficiency is not a choice, it is inevitable. Our choice is whether to develop it now, or whether we wait until we are forced to when critical resources are exhausted and expensive.

During the 20th century the world population grew four times, its economic output 40 times. We increased our fossil fuel use 16 fold, our fishing catches by a factor of 35 and our water use 9 fold. It was called the “great acceleration”, but I am afraid that we might hit the wall soon.

The "business as usual" scenario tells us that we would need three times more resources by 2050. But already 60 % of the world's major ecosystems on which these resources depend are degraded or are used unsustainably. So "Business as usual" is not an option.

Today material costs already make up more than 40 % of total costs in manufacturing industries compared to less than 20 % for labour – we need innovation and ingenuity to improve our resource productivity beyond labour productivity.

Europe's position in a resource-constrained world does not look so good: we are poor in mineral resources. Today, the European Union imports six times more materials and resources than it exports. We get 48 % of our copper ore from abroad, 64 % of zinc and bauxite and 78 % of nickel. – and for some critical raw materials which are expected to become difficult to access, we are completely dependent on non-European sources. We import all of our cobalt, platinum, titanium and vanadium, as well as rare earth metals. But the Commission definition of resources is much broader: it includes, for instance, clean water or biodiversity and the ecosystem services that it provides. And the problem is wider than the one of scarcities – we need to address the loss of natural capital that underpins our economic activity.

We need to reduce the materials used by industry: to de-materialise not to de-industrialise. We need to develop smarter products that do the same with fewer resources. And we need to sell the associated services. We need new business models that encourage greater value added, and more life-cycle thinking – such as promoting high added value services related to sales of goods, for instance, provision of coating solutions instead of selling paint, or selling road kilometres instead of tyres. And we need to develop the financing tools and the skills to ensure that there are no bottlenecks to developing these approaches.

Interaction between resource efficiency agenda and public policies

There is a lot that governments can do in this context to help with the necessary transition:

As regards **public budgets**, promoting resource efficiency can help with fiscal consolidation. Measures to eliminate environmentally-harmful subsidies and the taxation of externalities will reduce expenditure and enhance revenues now. They will also help remove market restrictions and unlock new sources of sustainable growth.

It is thus in Member States' own interest to identify the most significant environmentally harmful subsidies, such as subsidies to production and consumption of fossil fuels; subsidies stimulating the use of company cars for private use; or water pricing schemes not recovering fully the water use costs. And then to prepare plans and timetables to phase them out.

For example, revenue losses due to favourable tax treatment of company cars are estimated at €54 billion per year in a subset of 18 EU Member States. That translates to almost ½ percent of their GDP. Imagine if those subsidies were limited to zero emission cars. This would send the right signals and incentives to the economy, bring savings, reduce fuel imports, enhance our security of supply, while reducing emissions and pollution. Of course any negative distributional effects would need to be mitigated.

At Member States level – there is an increasingly acknowledged need to shift from taxation of labour towards environmental taxation, which is seen as more growth-friendly. A permanent one-percentage point reduction in the average tax burden on labour is estimated to increase the employment rate by about 0.4 percentage points in the long run.

If such a shift happens, and environmental taxes increase from their current average level across Europe of around 6.3 % to around 10 % of all taxes, this would bring additional tax revenue equivalent to around 1.4 % of EU GDP. This money can be used to reduce labour taxes or for fiscal consolidation.

Secondly, we – and I mean the Commission and the Member States - must focus on **growth enhancing measures**: The UK and other Member States should prioritise investment in eco-industries and eco-innovation and work towards greening their public expenditure and public procurement. Efforts to step up resource efficiency of buildings should continue, including through developing public private partnerships and innovative financing mechanisms.

Eco-industries are booming. EU-wide Employment in them has grown by around 3 % per year for the last 5 years. The global market for eco-industries is at least a trillion Euros, and is generally forecast to almost double over the next 10 years. European companies are strong in many of these sectors - a 50 % share of recycling, 35 % for energy efficiency - and so we are well-placed to benefit from this growth in global demand.

Good examples from other Member States

There are already green measures from across the EU that can serve as examples to others. In particular, they show how the MS have taken new initiatives in the current economic crisis.

Green elements have been included to the fiscal stimulus packages that were implemented in response to the economic and financial crisis that began in 2008.

Measures aiming at energy efficiency were widely used in this context. For instance, in France, Energy efficiency in housing was supported by €200m for medium-sized investments for energy-efficiency improvements in private houses. Germany has provided €3.3bn for energy-efficiency measures, mainly in schools and university buildings.

I know that UK government launched socially-targeted energy efficiency measures in this context. I learned through a Commission study that £ 100m funding was granted through the Warm Front Programme in 2009-10, benefiting almost 38,000 households and saving them each up to £ 300 in energy bills every year.

It may be obvious, but for me this is another example to prove that measures promoting resource efficiency are seldom if ever in their own isolated niche. Whatever common policy objective is being promoted, considerations linked to resource efficiency can *and should* be included. Multiple benefits can be achieved without harming the main (in this case social) objective.

Analysing Member States progress in implementing actions in the context of the European structural economic strategy – Europe 2020 - yields also interesting messages.

There are also examples of refocusing the funding instruments: a German energy research programme allows the government to support the transition of the energy system towards renewable energies, an e-mobility programme will include substantial funds for encouraging innovation in electric motors and the ambitious goal of having one million electric cars on Germany's roads by 2020.

The French government wants to spend €6 billion on green technologies: to set up institutes of excellence in the field of carbon-free energy, smart grids, and reduction of fuel consumption.

The UK through its Waste and Resource Action Programme (WRAP) has been doing very well. I learned that since 2010 WRAP is now serving as the single point of contact for businesses and organisations which want to improve their resource efficiency, pulling together seven disparate resource efficiency programs. This is an example of a good practice to all Member States. As in Industrial Symbiosis the UK is way ahead of other European countries.

However there is still room for further improvement: According to DEFRA estimates, businesses could save more than £ 20 billion per year by making simple changes to use resources more efficiently and help protect the environment. DEFRA also concluded that some 2 % of UK business profits each year may be lost through inefficient resource use.

I am quite convinced that impacts of similar magnitude can be observed throughout the whole EU and that we can all learn from each other.

All those examples remain in the remit of public policy and governmental actions. We need to have policies that provide the right framework and confidence levels for business, but leave business enough freedom to innovate, and explore new ways of producing. If we can do that, then we will have a genuine alignment of the business and environmental interests, ensuring longer-term sustainability of our economies while staying within the ecological limits of our planet.

Thank you.