Background Paper

European Stakeholder Meeting on

Sustainable consumption and production

Ostend, Belgium
November 25 - 26, 2004

UNEP

This paper was prepared by the United Nation Environment Programme (UNEP), Division of Technology, Industry and Economics (DTIE), in collaboration with UNEP Regional Office for Europe (ROE). It was written by Adriana Zacarías Farah, Paula Rey and Bas de Leeuw, in co-operation with Rie Tsutsumi and Angels Varea. Comments were provided by the European Commission DG Environment, the Belgium Ministry of Sustainable Development, the Belgium Federal Planning Bureau-Task Force Sustainable Development and the co-chairs and facilitators of the Ostend Meeting.

UNEP would like to thank all those who provided comments; specially to Bernard Mazijn, Marjo Nummelin, Nadine Gouzée, Natacha Zuinen, Nis Christensen, Paul Hofseth, Robert Goodchild, Thomas Bernheim and Ulf Jaeckel.

Annex II was prepared by UNEP ROE. It was written by Rie Tsutsumi, with assistance of Kristy Robinson. UNEP ROE would like to thank all those governments and organisations that responded to our questionnaire survey for their co-operation.

TABLE OF CONTENTS

Chapter I: Introduction and Marrakech Process

1. Introduction and Objectives of the European Stakeholder Meeting on Sustainable Consumption and Production

"Fundamental changes in the way societies produce and consume are indispensable for achieving global sustainable development. All countries should promote sustainable consumption and production patterns, with the developed countries taking the lead and with all countries benefiting from the process, taking into account the Rio principles, including, inter alia, the principle of common but differentiated responsibilities as set out in principle 7 of the Rio Declaration on Environment and Development. Governments, relevant international organisations, the private sector and all major groups should play an active role in changing unsustainable consumption and production patterns"[1]

All countries are called to "Encourage and promote the development of a 10-year framework of programmes in support of regional and national initiatives to accelerate the shift towards sustainable consumption and production to promote social and economic development within the carrying capacity of ecosystems by addressing and, where appropriate, de-linking economic growth and environmental degradation through improving efficiency and sustainability in the use of resources and production processes and reducing resource degradation, pollution and waste. All countries should take action, with developed countries taking the lead, taking into account the development needs and capabilities of developing countries, through mobilisation, from all sources, of financial and technical assistance and capacity-building for developing countries."

In response to this, several initiatives have been taken at the global and regional level. An international expert meeting in Marrakech in June 2003 defined the priorities at the global level, and launched the "Marrakech process" (which is the ten-year framework on SCP). UNEP, together with UN DESA, has organised various regional consultation meetings, which have taken place in Latin America and the Caribbean, Asia Pacific and Africa, aimed at developing regional strategies on sustainable consumption and production. The two organisations launched, at CSD12 (April 2004), the joint website on the 10-year framework. It contains up-dated information and key documents on the regional and international development of the Marrakech Process[2]. UNEP and UN DESA are currently organising a second international meeting that will take place in Costa Rica, in September 2005.

For the first time after the call of the WSSD Johannesburg Plan of Implementation, the European meeting will bring together various European stakeholders to work on the issues of sustainable consumption and production. Key stakeholders from governments, private sector, consumers' and workers' organisations, NGOs and intergovernmental organisations will attend the meeting and elaborate together the European contribution to the Marrakech Process.

[1] WSSD, Johannesburg Plan of Implementation, (Chapter III). UN-2002.
[2] see www.uneptie.org/sustain/10year

The main objectives of this informal expert meeting are to:

- formulate the European contribution to the implementation of the Johannesburg commitments on sustainable consumption and production;
- recognise the crucial roles of each stakeholder and encourage their commitment to SCP;
- share information on ongoing activities, identify priority areas as well as potential gaps in policies and tools, and
- find means for implementing policies and activities.

The meeting is organised by the United Nations Environment Programme (UNEP) together with the European Commission, in consultation with the United Nations Department of Economic and Social Affairs (UN DESA). It will be hosted by the Federal Government of Belgium. Belgium, Finland, Germany and Sweden are providing financial support.

This paper provides some basic information to facilitate the discussion during the meeting. This first chapter presents an overview of the "Marrakech Process". It presents global and regional initiatives to develop the 10-year framework of programme on SCP. Chapter II gives a snapshot of the wider European context on sustainable consumption and production and the policy framework on these issues. Chapter III analyses 6 key issues related to SCP that will be the topic of discussion during the working groups.

2. The 10 -Year Framework of Programmes on Sustainable Consumption and Production: International and Regional Initiatives

2.1. The Marrakech Process

The International Expert Meeting on the 10-year framework of Programmes for Sustainable Consumption and Production was held in Marrakech, Morocco, from 16 to 19 June 2003. The meeting was organised by UNEP and UNDESA. The Governments of Belgium, Denmark, Finland, Germany and Sweden provided financial support for the meeting, particularly for the participation of experts from developing countries.

The meeting launched the "**Marrakech-Process**", including regular global and regional meetings supported by informal expert task forces and roundtables to promote progress on the 10-year framework on SCP. It identified a number of key priorities, emphasising the importance of integrating the three dimensions of sustainable development in formulating policies for promoting SCP; and the importance of ensuring the integration of SCP in national sustainable development strategies and, where applicable, in poverty reduction strategies.

The Marrakech Process highlighted the need to obtain political commitment to the issue for SCP at the highest level in governments, international organisations, private sector and civil society. Raising awareness on the benefits of SCP and mainstreaming the concept at all levels was considered essential. It recognised, as well, the importance for governments to specify their priorities in the area of SCP in order to ensure an effective and well-targeted international co-operation.

For furthering progress in promoting SCP, institutional and social capacity building was seen as a major challenge. In addition, the need for development and diffusion of sustainable technologies and financial means for implementing policies and programmes for SCP was recognised.

Dissemination of information was considered important in promoting SCP and the need for effective use of practical tools, including awareness-raising, education, training, media and advertising was highlighted. The involvement of all stakeholders in relevant fora at all levels is essential and should be promoted. Partnerships involving governments, international organisations and civil society were considered a successful instrument to promote SCP.

Box 1. Future work for the Marrakech Process

During the Marrakech meeting, it was mentioned that the development of the 10-year framework is a continuous process towards the achievement of SCP patterns, which should be further elaborated through enhanced international co-operation. The ongoing Marrakech Process should consist of:

(a) Targeted responses by international organisations corresponding to governments' priorities in the area of sustainable consumption and production. On this basis, UN DESA and UNEP are asked to expand the "Survey of International Activities on Consumption and Production Patterns" compiled by UN DESA, with regard to the identified priorities for the Marrakech Process to make it more comprehensive and make it available to all countries;

(b) Establishment of mechanisms that encourage and support information and experience sharing, network building, and dissemination of best practice. Such mechanisms could be interactive web sites and expert meetings on specific issues under the sustainable consumption and production umbrella;

(c) Involvement of all stakeholders and establishment of concrete partnerships. Business and business associations were called on to implement sustainable production and consumption including through business-to-business partnerships at all levels, and promote a sustainable business culture;

(d) An invitation to UN DESA, together with UN HABITAT, and in collaboration with UNEP and other relevant organisations and relevant financial institutions, to prepare, based on the work of this meeting, and in particular on the priorities identified at this meeting, a report on the actions needed at the international level to support national action in the waste, transportation, construction, and water and sanitation sectors, indicating the agencies, organisations, institutions, etc. that should be involved in each action;

(e) Strengthening of regional processes in all regions, which would also contribute to the international process. At the international level, the Marrakech Process should include a broad expert meeting for the 10-year framework of programmes in two years time, supported by international organisations and donor contributions. The ongoing Marrakech Process on sustainable consumption and production should be supported by informal task forces or round tables on sustainable consumption and production, with participation of experts from developing and developed countries, to promote progress on the 10-year framework and the implementation of Chapter 3 in the Johannesburg Plan of Implementation;

(f) Subsequent international expert meetings to address a wide range of sustainable consumption and production issues, also taking into account the work programme of the Commission on Sustainable Development (CSD);

SCP will, as a cross-cutting issue, be part of all future CSD sessions, linked to its specific thematic cycle. A major policy review cycle on the framework itself is scheduled for 2010/2011.

2.2. Regional Initiatives

Five regional meetings have been held, all jointly organised by UNEP and UN DESA and national governments. Support from the Governments of Belgium, Denmark, Germany, Finland, The Netherlands, Norway and Sweden has allowed the organisations to carry out these initial activities.

The Latin American meetings were held in Argentina, April 2003 and Nicaragua, October 2003. As a result, a Regional Strategy on Sustainable Consumption and Production (SCP) was developed, as well as a proposal for the establishment of a Regional Council of Government

Experts on SCP.[3] The Latin American Forum of Environment Ministers officially established the Council on November 2003, in Panama.

The Asia-Pacific meetings were held in Indonesia, May 2003, and in the Republic of Korea, in November 2003. Preliminary ideas on a regional strategy for the Asia-Pacific region were developed, with indications of needs and priorities. One proposal was to establish a "help centre" with the support of UN ESCAP and UNEP's regional office. The outcome of the meeting in the Republic of Korea was endorsed by the ESCAP Committee on Managing Globalisation.

The First African Expert Meeting on Sustainable Consumption and Production was held in Casablanca, Morocco, 19 – 20 May 2004. It identified the regional and sub-regional priorities and explored the linkages of poverty and consumption and production patterns, and how SCP contributes to poverty alleviation, economic development and could also be an opportunity to leapfrog into sustainability. "Casablanca Statement on SCP" was prepared and adopted by consensus by all participants. It was presented to the AMCEN meeting, in Libya, June 2004.

The Baltic Sub-regional Multi-stakeholder Workshop on Sustainable Consumption and Production was held in Vilnius, Lithuania, in June 2004. Needs and priorities were identified, based on an analysis of the status of consumption and production patterns/levels and state of the environment, in each of the three countries (Lithuania, Latvia and Estonia). Initiatives proposed include work in key sectors and the establishment of a high level multi-stakeholder body at national level to facilitate SCP work and multi-stakeholder SCP networks in the Baltic sub-region.

2.3. The global implementation challenge

As an informal task force meeting of experts concluded (Paris, March, 2004)[4], the 10-year Framework is not meant to be only a series of meetings to discuss issues of SCP, but is also intended to promote implementation of SCP at the national and regional level, with co-ordinated international support. Therefore, the work should be linked to other international processes and to the thematic discussions as part of the multi-year programme of work of the Commission on Sustainable Development.

The challenge is to move from the more generic to the specific and focus on implementation. Meeting the "implementation challenge" requires that the following phases are carried out:

a) Organising **regional consultations** in all regions to promote awareness and identify priorities and needs for sustainable consumption and production;
b) Building **regional strategies** and implementation mechanisms with regional and national ownership;
c) **Implementing concrete projects** and programmes on the regional, national and local levels**;**
d) Monitoring and evaluating **progress** and exchanging information and experience at the international level.

Implementation (phase c) does not have to wait until the first two phases have been completed. Showing the added value in an early stage will attract commitment and funding from a whole range of stakeholders. It is important to start – and as soon as possible - implementing demonstration projects to show the feasibility of SCP and the value of a co-

[2] Full reports of the regional meeting are available on the joint UNEP-UN DESA website: www.uneptie.org/sustain/10year

[4] reference to the briefing note and the meeting report of the Advisory Task Force. The meeting was supported by the government of France. Meeting report available in www.uneptie.org/sustain/10year

ordinating and supporting international framework. At the national level, one of the first measures that will have to be carried out by each country is to examine whether their own legislation, framework conditions and practices are adequate to support progress on SCP.

In general, the main implementation tasks should be done by governments, private sector and civil society in each country. Implementation of strategies, especially in developing countries, will be facilitated by programmes carried out by UNEP, UN DESA, and other UN agencies, as well as bilateral, regional and other international organisations together with the national governments and/or organisations. For instance, UNEP's activities on SCP include a variety of methodologies, tools, initiatives, training packages and programmes such as Life Cycle Analysis, Cleaner Production, product-service systems (PSS), Eco-design, Sustainable Procurement, UN Guidelines for Consumer Protection, Advertising for Sustainable Consumption, Education and Awareness Raising. UNEP has also facilitated multi-stakeholder dialogue through national and sub-regional workshops on SCP in the pan-European region and the establishment of national multi-stakeholder coalitions/partnerships. The Global Ministerial Environment Forum (GMEF) and the 22nd Governing Council, held in Nairobi, February 2003, called for an active role of UNEP in these issues. The work of UN DESA on SCP currently focuses on environmental management accounting (EMA), sustainable public procurement, and clean technology strategies.

The European Commission and UNEP have decided to reinforce their co-operation and political dialogue, acknowledging that their joint action to tackle global environmental challenges and promote sustainable development will be more effective. The framework for this strengthened collaboration has been the signature of a Memorandum of Understanding on 20th September 2004. This partnership will support implementation of the commitments made at WSSD and will help achieve the environment-related UN Millennium Development goals. Promoting sustainable consumption and production patterns is one of the five key areas selected for immediate co-operation, the programme and activities for SCP are under development and, it will be clearly influenced by the outcome of this European Stakeholder Meeting on SCP, in Ostend.

CHAPTER II: EUROPEAN CONTEXT ON SUSTAINABLE CONSUMPTION AND PRODUCTION

1. Introduction

In March 2003, the European Council[5] identified sustainable consumption and production and the development of the 10-year framework as one of the key priorities for the EU in the follow-up to the WSSD and its plan of implementation. Unsustainable consumption and production patterns, especially in developed countries, have been identified as the major cause of continued deterioration of the global environment. Natural resource use and, most importantly, its associated environmental impacts, are growing at an increasing rate in Europe. Waste generation, water pollution and air emissions continue to cause severe environmental problems. Efficiency improvements through innovation and technology have not been enough to offset increased consumption-related pressures.

There are important regional and sub-regional differences in consumption and production levels and patterns and state of the environment in Europe. Economic growth measured as GDP per capita, one major indicator for changes in consumption levels, shows up three different situations in Northern, Southern and Eastern Europe[6]. The northern part of the EU presents higher income levels and a marked increase in household consumption in recent years. The income gap between the new Member States and the EU15 has decreased, but the former still present lower consumption per capita. However, high GDP growth rates in the new member states point towards a rapid increase in consumption in the coming years. Eastern Europe, Caucasus and Central Asia (EECCA) have seen a decrease in overall level of household consumption over the last years, although increasing wealth and consumption are observed in some sectors of society. A rapid increase in consumption level is expected in Eastern Europe due to rapid economic growth. The foreseen consumption patterns across the board in Europe are worrying from environmental and social perspectives.

A similar picture of regional and sub-regional differences is found at policy level. Europe presents different strategies and policies contributing to SCP at EU level, its member states and in non-EU countries. Some initiatives have a more strategic nature - the Lisbon Strategy and the Sustainable Development Strategy (SDS), national SD strategies or national frameworks for SCP, whilst others develop concrete instruments and tools, such as labels, EMAS or energy taxation. Overall, Europe has a broad range of policies and instruments contributing to sustainable consumption and production. However, absolute pressure on the environment (e.g. emissions of CO_2) is likely to increase or remain at a high level[7], demanding more action in this regard.

Europe is a key actor in global governance. Its political commitment to promoting SCP will have an important influence world-wide. The ongoing EU enlargement is a driving force for political and economic changes in Europe. Through this process, the EU is extending its environmental standards and policies across the wider European region. Moreover, Europe is the world's largest trader, with the EU accounting for about a fifth of the world exports and imports. Trade policy has an important impact on global sustainable development. Europe is also a major player in the development process, with the EU providing approximately half of

[5] The European Council brings together the heads of state or government of the European Union and the President of the Commission. It defines the general political guidelines of the European Union.

[6] Preliminary results of the EEA study on "Sustainable consumption patterns: Why should Europe care?" (forthcoming).

[7] Outstanding Environmental Issues. A review of the EU's environmental agenda, RIVM in cooperation with the EEA, 2004

all public aid to the developing countries. These global interactions have a multiplier effect on approaches promoted by Europe.

This chapter intends to give a snapshot of the wider European context on sustainable consumption and production, and the policy framework on these issues with special emphasis on regional and sub-regional characteristics and policy initiatives. It does not go into depth on the subject of consumption and production patterns, environmental impacts in Europe, nor on the policies implemented at the national level. We refer to the comprehensive overview provided in the *Inventory on Sustainable Consumption and production in the EU*[8] developed by the European Commission and EU Member States' experts, which has been used to prepare this chapter.

2. Consumption and production patterns and trends in Europe – main environmental impacts and social concerns[9]

2.1 Overview of key trends and drivers

There has been important progress in promoting cleaner production, not only in the EU, but also - often at a slower pace - in the wider European region. Progress has also been made in improving eco-efficiency and reducing the environmental impacts of consumption. However, progress towards changing consumers' behaviour has been rather limited. In Western Europe, absolute de-coupling of the environmental effects from growing material use and waste generation remains an important challenge[10]. In Central and Eastern Europe, changes in the structures of production, in particular a reduction in the level of industrial production and in agricultural intensity, together with increased prices of natural resources and the modernisation of technologies, have contributed to a decrease in consumption of natural resources over the last years. Natural resources use, waste generation and pollution levels are expected to keep growing across Europe, mainly due to the steady increase in the level of consumption.

Consumption patterns are shaped by a number of drivers, but also by their interactions, which creates uncertainty of possible future trends. At the macro or societal level, driving forces of household consumption are demographic, economic, technological, institutional, socio-cultural and environmental, among others[11]. At the individual level, increasing levels of material consumption are closely bound up with rising personal income, falling commodity prices, and increasing diversity of products. However, it is often hard to distinguish between societal and individual consumption. At the same time, consumption and production patterns are two sides of the same coin, making it difficult to isolate consumption patterns. Changes to the production and design of products and services can influence consumers and help them adopt sustainable consumption patterns.

Enlargement, demographic changes and globalisation are driving social changes in Europe. The enlarged union has 20% more population and 25% more territory. Europe's population is growing more slowly and ageing, with many countries expected to have declining populations by 2020. The consumption patterns of older people tend to shift towards services such as social and leisure activities, including tourism, with consequent environmental impacts (direct or

---

[8] EC, Sustainable consumption and production in the European Union, November 2004.

[9] Main bibliographic sources: *EEA Signals 2004*, European Environment Agency, 2004; *Outstanding Environmental Issues. A review of the EU's environmental agenda*, RIVM in cooperation with the EEA, 2004; and Preliminary results of the *EEA report on Sustainable Consumption –Why should Europe Care? (Forthcoming)*.

[10] Outstanding Environmental Issues. A review of the EU's environmental agenda, RIVM in cooperation with the EEA, 2004.

[11] Background paper for the EEA report on Sustainable Household Consumption –Driving forces behind household consumption, EEA.

indirect, although some could be positive). An ageing population is likely to threaten the quality and financial sustainability of pension schemes and public health care. In parallel, young consumers are also an important group to address and reorient towards sustainable consumption since they have an increasing purchasing power and are acquiring new homes and goods.

The number of households is expected to increase at a more rapid rate than population. This trend towards smaller households will have an environmental impact, since they tend to be less efficient. At the same time, over 80% of Europeans are expected to live in urban areas by 2020. The pressures on urban agglomerations across Europe are expected to increase further, with associated environmental and social impacts.

Box 2. Summary of key trends highlighting regional diversity

a) Population
Steady increase in Western Europe, whereas slight but steady decline in EECCA. The demographic composition in Europe is also changing with an increasing proportion of older people.

b) Socio-economic conditions
Increased poverty and unequal income distribution in many EECCA countries. In Western Europe, youth and the older generation enjoy a relative growing purchasing power.

c) Economic activities
Steady, but slowing growth in Western Europe and New EU member states. The rest of Europe shows slight increase or flat.

d) *Production, consumption and environmental efficiency*
Steady increase in industrial output in Western Europe and since 1994 also in new member states, whereas industrial output in many transition countries has shown slight increase. In the region as a whole, environmental efficiency in industrial production has been much improved in the last 10 years, but improvements were slow in some transition countries.

e) *Agriculture and its environmental impacts*
In the EU25, environmental pressure from agriculture is high, but slowly decreasing. In parallel, slow but steady decrease in nitrogen pollution. Decrease in agricultural output in EECCA countries. Total consumption of fertilisers and pesticides has radically decreased in transition countries, but fertiliser consumption per agricultural outputs shows steady increase.

f) Household consumption
A huge gap in household consumption between Western Europe and transition countries is observed, with Western European consumption exceeding 10 times that of EECAA countries. An increase in household consumption as well as in solid municipal waste is being observed throughout EECCA countries.

g) Transport
Road and passenger flight transport in Europe have been growing substantially. Deterioration of public transport is a particular problem in EECCA countries.

2.2 Environmental Impacts

The EEA Signals 2004 report[12] identified energy, transport and agriculture as the main sectoral activities having most impact on the environment in Europe. Key related environmental impacts in Europe can be identified regarding greenhouse gas emissions and air pollution and their climate change effect, material consumption and waste generation and nitrates pollution. The review of the EU's environmental agenda undertaken by the EEA

[12] *EEA Signals 2004*, European Environment Agency, 2004

under the current Dutch Presidency of the Council of the EU[13], concluded that future EU policies should focus particularly on three major issues: climate change, loss of biodiversity and air pollution in urban areas.

Looking at ***air pollution and greenhouse gas emissions***, the EU15 has made considerable progress regarding sulphur dioxide emissions - reducing them by over 60% since 1990 - and nitrogen oxides - by 25%. However, CO_2 emissions continue to rise and NOx levels continue to pose major environmental problems. In Central and Eastern Europe, improvements in technology, changes in industrial fuels and production restructuring have resulted in a remarkable reduction of air emissions, in particular SOx emissions in all sub-regions, except for a few Balkan countries[14]. New EU Member States have reduced SOx emissions per industrial output by half since the start of the transition period. However, reducing NOx and CO_2 emissions remains a major challenge for these countries.

In 2000, the ***energy sector*** continued to be the largest contributor to total ***EU greenhouse gas emissions***, accounting for 27% of total EU15 emissions[15]. Total energy consumption in the EU has been rising since the mid-1990s - although more slowly than GDP - and this trend is projected to continue. Fossil fuels currently dominate the fuel mix with an 80% share. Energy intensity diminution has been due in part to specific energy efficiency efforts, but mostly originating from a shift in the EU's economy from manufacturing to service industries and by updating manufacturing machinery and processes. In Central and Eastern European countries (not including the new EU member states) energy efficiency is still only half of that of Western Europe. In CIS countries, energy efficiency is over four times lower than Western European standards[16]. However, it is worth noting that average energy consumption per capita is often higher in Western Europe than in any of these countries.

Emissions of greenhouse gases from the ***transport sector***, ***principally CO_2***, grew by 20% between 1990 and 2000 to represent 21% of total EU greenhouse gas emissions[17]. There has been no success in de-coupling transport demand from economic growth so far, either for freight or passenger transport. Air travel, where tourism is a key driver, is the fastest growing source of greenhouse gas emissions. Growth in transport demand surpasses improvements in energy related emissions. In Central and Eastern Europe, urban and transnational transport has rapidly grown in volume. The increase in private car ownership and the deterioration of public transport infrastructure is putting renewed pressure on urban air quality, in particular NOx emissions. Such trends lead to congestion in cities and higher occurrence of respiratory diseases. Moreover, decreases in the number of public transport users increment the cost of the service, contributing to its decline. This situation particularly affects the elderly and the poor.

Direct Material Consumption[18] (DMC) has increased slightly in 2000 compared with early 1980 levels. It remained more or less constant during the second half of the 1990s. Despite the stabilisation of material intensity, the use of resources is expected to increase between 2002 and 2020. Non-renewable materials dominate DMC, with construction materials accounting for the largest share, more than 40%.

---

[13] Outstanding Environmental Issues. A review of the EU's environmental agenda, RIVM in cooperation with the EEA, 2004

[14] WB statistics

[15] Source: The "World Energy, Technology and Climate Policy Outlook (WETO)", published by the European Commission on 12 May 2003

[16] EBRD 2000

[17] Source: The "World Energy, Technology and Climate Policy Outlook (WETO)", published by the European Commission on 12 May 2003

[18] Measure of the materials used by the economy.

The ***volume of waste generated*** has continued to increase, and, specifically, total packaging waste has increased by 7% in the EU15 between 1997 and 2001. In Central and Eastern Europe, the volume of municipal waste has also been increasing, which may be due to changes in consumption patterns associated with consumerism and structural changes in industry. In EECCA countries, in particular, lack of a proper management system for industry and municipal waste is posing clear threats to the environment and human health. For example, 60% of landfills do not meet standard requirements as to location, fitting out and operating conditions. Material recovery levels are low, due to lack of adequate recycling or material recovery capacities in many of the transition countries.

Diffuse pollution from agricultural land is still the main source of nitrate in water. Sectoral data indicate a slow but steady decrease in the total nitrogen load to the environment in Europe. Nonetheless, nitrate concentrations continue to damage the environment, contributing to eutrophication in coastal and marine waters and pollution of drinking waters. Agricultural practices are currently less intensive in the ten new EU Member States than in the EU15. However, if farming becomes more intensive in the new Member States, as predicted, nitrate concentrations in surface and ground waters could increase.

In developing appropriate means of action for de-coupling environmental pressures from economic growth, developed countries should take the most severe environmental pressures as the point of departure.

3. Policy framework and initiatives contributing to sustainable consumption and production in Europe

The general picture of regional and sub-regional differences in Europe in terms of consumption and production patterns and state of the environment presented above, is also mirrored at the policy level. There are differences between the EU and the rest of Europe in terms of strategies and policies to contribute to SCP, as well as distinct breadth and depth of SCP and sustainable development strategies and initiatives at country level.

During the last decades, in Europe and especially in the EU, a variety of actions and initiatives have been developed [19] (e.g., IPPC, ETAP, EMAS, eco-labelling), which promote SCP. In parallel, new approaches, such as IPP, are being implemented, and further initiatives are being drawn up, such as the thematic strategies on resource use, waste and the urban environment. These initiatives and tools are very varied in their scope, approach, legal value and stage of development. Originally focused on cleaner production and having a more sectoral perspective, the Community's initiatives have moved towards a more holistic approach. A balance of the economic, social and environmental aspects has been promoted. Existing initiatives cover different stages of the production and consumption chain, from the use of natural resources, through production and transportation of goods and services, to consumption and waste generation.

At the national level, few countries have developed integrated national frameworks and strategies contributing to SCP. The United Kingdom launched in 2003 the UK Government Framework on SCP. Germany has started a national consultation with all stakeholders in order to increase the implementation of SCP patterns and to develop a national strategy. Finland has appointed a committee from a range of stakeholder groups and public administration to draft a proposal for a national programme on SCP[20].

[19] See *Sustainable Consumption and Production in the European Union*, European Commission, November 2004.

[20] See *Sustainable Consumption and Production in the European Union*, European Commission, November 2004.

Recently, a number of governments in Central and Eastern Europe and Central Asia have taken steps to recognise sustainable consumption and production as an essential requirement for sustainable development and have reflected this in their national policy frameworks. It should be said, however, that to date many countries are still at the initial stage of this process.

3.1. European Union initiatives

The EU is fully committed to the SCP goals of the JPOI. EU action in this field inscribes itself in the broader strategic framework of the Lisbon Strategy[21] and the SDS[22], aiming at sustainable development. The 6th Environmental Action Programme (EAP)[23], which outlines the EU's environmental roadmap until 2012, and the Cardiff process of environmental integration contribute to the environmental pillar of sustainable development and to some aspects of SCP. They all provide important components of a policy framework for action towards SCP, setting the main medium and long-term objectives and priorities. A single EU "sustainable consumption and production strategy", as such, does not exist, rather a number of diverse initiatives and strategies provide guidelines and goals to promote SCP in the EU.

The **Lisbon Strategy** dates back to March 2000, when the European Council set up the commitment to bring about economic and social renewal to the EU. The Lisbon agenda aims at making the EU, by 2010, "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion". This strategy sets out the ambitious goal of achieving an economic growth rate of 3% per annum, which would roughly double GDP in 25 years[24]. Accelerating progress in achieving the goals of the Lisbon strategy is now at the top of the EU agenda. However, the Lisbon Strategy does not have an explicit international dimension.

In June 2000, the European Commission launched its Social Policy Agenda[25] for the period 2000-2005, providing concrete measures for implementing Lisbon's economic and social renewal objectives. The Commission Communication "The social dimension of globalisation – the EU's contribution on extending the benefits to all" [26] acknowledges its key external role linking economic and social progress, proposing concrete measures.

The **EU Sustainable Development Strategy (SDS)**[27] was adopted by the Gothenburg European Council in 2001. The SDS as proposed by the Commission identified six key areas where current trends are not sustainable: combating climate change, public health, poverty and exclusion, ageing society, mobility and transport and management of natural resources. Regarding the latter, the SDS highlights the need to break the link between resource consumption and pollution from economic growth. The Gothenburg European Council largely endorsed the strategy, although it did not select eradication of poverty and ageing of the population and demography as priority issues in its conclusions, since they would be covered by the Lisbon Strategy.

---

[21] Lisbon European Council, 23 and 24 March 2000

[22] "A sustainable Europe for a better world. A European Union Strategy for Sustainable Development", Brussels, 15.5.2001, COM(2001)264 final

[23] Decision 1600/2002/EC of the European Parliament and of the Council laying down the Sixth Community Environment Action Programme

[24] See the Communication "2003 Environmental Policy Review. Consolidating the environmental pillar of sustainable development". Brussels, 3.12.2003, COM(2003) 745 final.

[25] COM(2000) 379 final

[26] Published in May 2004

[27] Gothenburg European Council, 15 and 16 June 2001

The adoption of the SDS was followed by a second Commission communication in February 2002 entitled "Towards a global partnership for sustainable development" [28], covering the EU external policies and adding a global dimension to the EU SDS. This external dimension is completed with the EU commitments at major international meetings, notably at the WSSD, but also in Doha and Monterrey. In December 2003, the Communication[29] "The World Summit on Sustainable Development one year on: implementing our commitments", renewed the EU's action in this regard and called for policy coherence, both internally and externally. SCP was highlighted as one of the priorities.

The strategic framework set up in the Lisbon and SD strategies is complemented by the **Sixth Community Environment Action Programme[30] (6EAP)**, which identifies the EU's environmental goals to be attained from 2002 to 2012. It aims at ensuring a high level of environmental protection and de-coupling environmental pressures and economic growth. To achieve this, it focuses on enhancing information, integration and implementation. Key areas to be tackled would be climate change; nature and biodiversity; environmental and health and quality of life; and natural resources and waste. The programme states as one of its aims better resource efficiency and resources and waste management to bring about more sustainable consumption and production patterns.

From 2005 the 6EAP will be complemented by seven thematic strategies with concrete targets in the areas of air quality, soil protection, sustainable use of pesticides, protection and conservation of the marine environment, waste prevention and recycling[31], sustainable use and management of natural resources[32] and urban environment[33]. The strategies on resource use, waste and urban environment will directly contribute to JPOI objectives on sustainable consumption and production. To achieve the 6EAP objectives, the Community will use a blend of policies and instruments, including market based and economic instruments, and will involve all government levels and relevant actors (business, citizens, NGOs and consumer organisations and other social partners).

The **Cardiff Process** is promoting integration of environmental considerations into other sectoral policies, it was launched in 1998. The Cardiff process covers nine sectors: agriculture, energy, transport, internal market, industry, development, fisheries, economic and financial affairs, trade and foreign policy. It provides a means of implementing some of the objectives and measures of the EU SDS and of the Lisbon Strategy by targeting sectoral policies. The European Council recently (March 2003) recommended to continue and strengthen the Cardiff process, and agreed on the need for sector specific de-coupling targets. Improving environment-related structural indicators, monitoring progress and identifying best practices were also solutions agreed by the European Council to tackle existing bottlenecks in implementing the SDS.

---

[28] "Towards a global partnership for sustainable development", Brussels, 13.2.2002, COM(2002) 82 final

[29] Communication from the Commission to the Council and the European Parliament. Brussels, 23.12.2003, COM(2003) 829 final

[30] Decision N° 1600/2002/EC of the European Parliament and of the Council of 22 July laying down the Sixth Environment Action Programme.

[31] Commission Communication "Towards a thematic strategy on the prevention and recycling of waste". COM(2003) 301 final, Brussels, 27.5.2003

[32] Commission Communication "Towards a thematic strategy on the sustainable use of natural resources". COM(2003) 572 final, Brussels, 1.10.2003

[33] Commission Communication "Towards a thematic strategy on the urban environment". COM(2004) 60

In June 2004, the Commission published a working document evaluating progress achieved in integrating environmental considerations into other policy areas[34]. The paper notes that the processes set in place have led to environmental improvements in several sectors. However, the pace of progress towards further environmental integration would be boosted if all sectors implemented commitments made over the past five years. Besides, this pace seems also to have varied according to the degree of commitment to environmental integration of the successive Council presidencies. Implementation of strategic aims should be translated into clear operational targets, and Community and Member States' action should be mutually reinforcing.

Some initiatives have also been taken by the business sector, and are contributing to SCP through Corporate Social Responsibility (CSR), EMAS, green supply chain, among other voluntary agreements. CSR can make a positive contribution to SCP. Just recently (October 2004), the European Commission launched a nine-month campaign to promote CSR practices by SMEs. The campaign will include 65 educational one-day events in the 25 EU Member States, three candidate countries and Norway. The programme aims at ensuring that SMEs have a good understanding of the drivers, success factors and pitfalls related to CSR. The programme offers SMEs a tailored, user-friendly CSR toolkit. It will target Europe's 25 million SMEs, which are recognised as the most important drivers of economic growth and employment, and represent over 95% of European businesses.

The Environmental Management and Auditing Scheme (EMAS) was created in 1995 to offer companies in the manufacturing sector a voluntary instrument to improve their environmental performance. Since 2001, the scope of EMAS has been extended to cover organisations from all economic sectors, including public authorities. In connection with voluntary initiatives, the Commission issued a communication on environmental agreements at Community level in July 2002. It details the criteria and procedural rules to be respected when this instrument is to be used as a Community policy instrument. Currently, the Commission is also elaborating a framework strategy to stimulate and co-ordinate voluntary actions by business with regard to sustainable production.

The Commission reports every year to the Spring European Council in its Synthesis report on progress implementing the SDS, using as a reference a number of headline performance indicators. This process coincides with the annual revision of the Lisbon Strategy. As agreed in the Gothenburg Council, the EU SDS will undergo a thorough review in 2004-2005. The mid-term review of the Lisbon process is also due in 2005. In March 2005, an annual stocktaking of the Cardiff process will take place as well.

3.2. Central and Eastern Europe and Central Asia initiatives

In transition countries, governments, industry and civil society, have made some progress in the last decade in the area of SCP. The level of development of strategies and initiatives varies across the region, with only a few countries addressing SCP in a comprehensive manner. Some countries are still in the early stages of this process and require support for initial awareness-raising.

A number of governments have addressed some SCP related issues, and reflected this in their national policy frameworks and initiatives undertaken. Cleaner production programmes have been implemented or are being initiated, often in collaboration with Western European countries and international organisations; the prices for the use of natural resources have increased and subsidies have been eliminated; and there has been progress also in energy efficiency and awareness of environmental issues. It is often the case that governments, particularly in EECCA countries and in some Balkan countries, have developed various plans

[34] "Integrating environmental considerations into other policy areas –a stocktaking of the Cardiff process. Brussels, 01.06.2004, COM(2004) 394 final.

related to SCP, but have not yet started their implementation. Civil society, in collaboration with governmental bodies, has been making progress towards raising awareness and improving environmental information, in particular promoting labelling for eco- and organic products and developing education materials.

National and sub-regional meetings providing a forum for multi-stakeholder dialogue among various Ministries, local authorities, NGOs, business and academia have been organised, in collaboration with UNEP, in order to analyse current status, identify priorities and needs for SCP and recommend future action plans. Multi-stakeholder meetings have taken place in the Baltic countries, the Czech Republic, Hungary, and Serbia and Montenegro. The Chair's summary from the Baltic sub-regional meeting in Annex I shows the recommendations generated through this multi-stakeholder dialogue. An example of an important outcome of these processes is the establishment in the Czech Republic of a high level multi-stakeholder body on SCP.

3.3. Main challenges

Action so far in Europe has not been enough to reverse most of the increasing pressures on the environment from our consumption and production patterns. The key challenge is to address the economic, social and environmental dimensions of consumption and production in an integrated way, in order to develop sustainable patterns.

The way of moving this process forward will be discussed, analysing whether it is necessary to develop a separate strategy on SCP or instead to develop an overarching action plan for existing processes. The working groups will also analyse specific policies and initiatives promoting SCP, identifying gaps and defining how to further enhance their effectiveness. Priority areas for further work, concrete policy needs (involving regulatory, economic and social instruments), benchmarking and monitoring will also be addressed.

At EU level, different strategies have separate aims and timetables, the SDS is long term, with intermediate goals, whilst the Lisbon Strategy and the 6EAP cover separate 10-year periods. The different strategies contribute to a greater or lesser extent to SCP, but do not have this aim at their core. The review processes of the SDS and the Lisbon strategy (mid-term), due in 2005, will provide an opportunity to better address and/or reinforce key SCP issues. These processes will allow for strengthening coherence between the EU internal policies and commitments, in the context of the SDS, and to ensure that increasing economic competitiveness does not sideline the environmental and social goals under the Lisbon Strategy.

There are other ongoing EU processes, due in 2005, to which the European meeting can provide an input and reinforce their SCP dimension. The annual stocktaking of the Cardiff process, taking place in March 2005, provides an opportunity to strengthen synergies between the environmental integration process and SCP. The thematic strategies on waste, resource use and urban environment, which are currently being developed, also give an opportunity to tackle SCP priorities in those areas.

At the national level in the EU, different policies and initiatives could also be linked in strategic frameworks, in line with the EU process. So far, few EU countries have developed integrated frameworks or strategies on SCP. These differences are also found in Central and Eastern Europe and Central Asia. Some countries have developed various plans in the field of sustainable consumption and production, but have not yet implemented them. In other cases, countries are beginning the process and require support for initial awareness-raising. Developing coherent policy frameworks on SCP is a challenge in Europe.

There are several specific policies and initiatives contributing to SCP in Europe, both at the EU and national level (CSR, EMAS, green supply chain, voluntary agreements, eco-labelling,

eco-design or energy taxation, among others). There are varying degrees of awareness and development of initiatives contributing to SCP in different countries. The Community inventory of SCP could provide a basis for addressing potential gaps, improving coherence and setting priorities for future work.

In Central and Eastern Europe and Central Asia, there is an urgent need to develop physical and social infrastructure with emphasis on sustainable spatial planning, education and information for citizens to orient them towards sustainable consumption and production patterns. A new consumer class is emerging in some transition countries, whilst at the same time there is increasing inequality and, for many, growing deprivation. In this situation, achieving a balance between the economic, social and environmental pillars of sustainable development is particularly challenging. Once strategies and plans to promote SCP are in place, financial support and investment and capacity building will be crucial elements to meet the implementation challenge in these sub-regions.

To conclude key challenges in this area for European countries are:

- De-coupling economic growth from environmental degradation by addressing both supply and demand, with a focus on the most serious environmental challenges (promoting eco-efficiency in sectoral policies);
- Taking a holistic approach that considers whole life-cycles of products and services, intervening to tackle problems as early as practicable in the resource/waste flow;
- Developing coherent and integrated national and regional strategies on SCP, with a sectoral and cross-sectoral approach and including all the relevant stakeholders;
- Enhancing framework conditions for sustainable markets;
- Major innovation to enable the shift to cleaner and more resource-efficient systems and processes for delivering improved quality of life for all;
- Capacity building and integration of sustainable development considerations into all policy sectors;
- Developing a set of indicators for measuring progress, and adopting targets and timelines where appropriate;
- Addressing the international environmental impacts of EU consumption patterns, ensuring that basic needs are covered for all.

The European meeting will provide an opportunity to analyse these challenges and identify gaps of different strategies/processes and to find synergies to make them complementary and mutually reinforcing. The way of moving this process forward will be discussed. The next chapter explores key issues in more detail, providing some background and ideas for discussion by the different working groups that will take place during the European Stakeholder Meeting on SCP.

CHAPTER III. Sustainable Consumption and Production in Europe: Key issues to discuss

Sustainable development requires that production and consumption are adjusted to the carrying capacity of the ecosystems, contributing to increased human well-being. Since Rio, significant progress has been achieved in environmental policy including R&D of environmental technology and environmentally sound products and the adoption of environmental management systems. The Marrakech process is providing a new impetus and putting SCP higher on national and international agendas.

One of the key challenges during next ten years is to de-couple environmental degradation from economic growth. Promoting and implementing SCP patterns requires integration of economic, social and environmental aspects of sustainability, and the development of national and regional strategies. It implies necessarily adjusting to changes in the quality of economic growth as well as changes in existing consumption patterns and life-styles of developed countries. In the policy-making and development of strategies on SCP, all stakeholders (governments, private sector, trade unions, finance institutions, consumer organisations, NGOs, advertisers etc) should be involved and take an active role.

One of the key challenges in this area is to adopt a holistic approach that considers whole life-cycle of products and services. It is also important to develop a package of policy tools for promoting SCP in key sectors, and identify the key stakeholders, involving them actively. Developing a set of indicators for measuring progress, and adopting targets and timeline is also important if we are really committed to achieving SCP patterns.

There are some key issues to analyse when developing national and regional policies on SCP:

1. development of coherent national and regional strategies;
2. stimulate business initiatives on sustainable consumption and production (corporate social and environmental responsibility, sustainable supply chain, environmental management and accounting systems, etc);
3. stimulate the development of sustainable products and services (Life Cycle Analysis, integrated product policy, product-service systems, etc);
4. leverage investment and finance for sustainable infrastructure;
5. analyse consumption patterns and quality of life, to reorient the consumer society, and
6. consider the global dimension of the European policies in order to contribute in the promotion of SCP world-wide.

The six issues mentioned above will be the topic of the working groups during the meeting. In the following pages there is a short description of these issues. The notes are intended to help as a basis for the working groups' discussion. It is expected that at the end of the groups' discussion each group identify and report back to the plenary on the following issues:

- **What are the five key priorities?**
- **Who needs to be involved, and what is the role of each stakeholder?**
- **Key policy recommendations or policy processes to consider,**
- **Proposal for concrete actions for implementation in the short term.**

Working group 1: Developing coherent strategies - how can the various strategies aiming at sustainable development contribute to sustainable consumption and production?

a. Scope: Changing unsustainable consumption and production patterns is necessary in order to achieve sustainable development. In Europe, there are many different strategies aiming at or influencing sustainable development at different levels. At the EU level, these include the Cardiff, Lisbon and Sustainable Development Strategies. European countries have developed national strategies on sustainable development and some of them are developing frameworks on sustainable consumption and production (SCP). What are the synergies among them? How to make the EU strategies supportive of SCP? Would some modification of these strategies be sufficient to achieve a 10-year framework of programmes on SCP or is a separate strategy on SCP needed?

b. The Johannesburg Plan of Implementation (JPOI):

The World Summit for Sustainable Development, in Johannesburg, 2002, called for the "development of a 10-year framework of programmes in support of regional and national initiatives to accelerate the shift towards sustainable consumption and production patterns that will promote social and economic development within the carrying capacity of ecosystems by addressing and, where appropriate, de-linking economic growth from environmental degradation...all countries should take action with developed countries taking the lead."

c. Current status in Europe and key policies and initiatives

1. In March 2003 the European Council (the EU Heads of State and Government) identified sustainable consumption and production and the development of the 10-year framework as one of the key priorities for the EU in the follow-up to the WSSD.

2. Over the last years the EU member states have implemented a variety of policies and programmes to promote SCP (see EU Inventory on SCP[35]). At the regional level, the EU has developed various strategies that deal with sustainable development and some aspects of SCP. The key EU strategies in this regard are the Lisbon Strategy, the Sustainable Development Strategy (SDS), the Cardiff Process and the 6th Environmental Action Programme (see chapter 2).

3. A single EU "sustainable consumption and production policy", as such, does not exist. The Commission's work on sustainable consumption and production is composed of different initiatives. There is some overlapping among these strategies, as well as important synergies. The main question is how to get the best out of the existing European strategies to produce a 10-year framework on SCP?

4. The Lisbon Strategy aims at making the EU by 2010, "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion". The Lisbon Strategy touches various economic and social activities but does not have an explicit international dimension (e.g. European transport, energy and environment policies have impacts globally).

[35] European Commission. Sustainable Consumption and Production in the European Union. November 2004.

5. The adoption of the EU Sustainable Development Strategy (SDS) in 2001 added the environmental pillar to the Lisbon Strategy. The SDS identified six key areas[36] - including management of natural resources, highlighting the need to de-couple resource consumption and pollution from economic growth.

6. While Lisbon and the SDS provide the broader framework, the EU's environmental goals are laid down in the 6th Community Environmental Action Programme (6EAP)[37]. The key areas for action until 2012 are climate change; nature and biodiversity; environmental and health and quality of life; and natural resources and waste.

7. The 6EAP will by 2005 be complemented by seven thematic strategies with concrete targets in the areas of air quality, soil protection, sustainable use of pesticides, protection and conservation of the marine environment, waste prevention and recycling, sustainable use and management of natural resources and urban environment.[38] The strategies on resource use, waste and urban environment will directly contribute to JPOI objectives on sustainable consumption and production.

8. The Cardiff Process aims at promoting integration of environmental considerations into other sectoral policies. Integration strategies were developed in 9 sectors: agriculture, energy, transport, internal market, industry, development, fisheries, economic and financial affairs, trade and foreign policy. It therefore provides a means of implementing some of the objectives and measures of the EU Sustainable Development Strategy and of Lisbon by targeting sectoral policies at Council level. The European Council recently recommended continuing and strengthening the Cardiff process, and agreed on the need for sector specific de-coupling targets.

9. Parallel to the regional process, at the national level there are multiple policies and initiatives on SCP, but they are normally not linked to strategic and holistic national frameworks. So far, only a few countries have been developing integrated national frameworks/strategies on SCP. The United Kingdom launched in 2003 the "UK Government Framework for SCP". Germany has started a national consultation on SCP with all stakeholders in order to develop a national strategy. Finland will implement a National Programme on SCP.[39] The Baltic countries have developed regional workshops on SCP, in which they expressed their interest to develop multi-stakeholder SCP networks, integrate SCP aspects in the national and regional action plans and identify key sectors (see annex 1).

d. Key challenges to address

10. SCP is a cross-cutting issue and therefore it requires an integrated approach to policy making. SCP policies are addressed in various ways, indirectly or partially, in the EU strategies mentioned above, as well as in some national SD strategies/plans. There are, however, some gaps among the various strategies as well as a lack of active involvement of key stakeholders. For example, the various strategies have different timelines; SCP is not at the core of these strategies. It could be further reinforced, promoting synergies with ongoing review and development processes. The coherence between internal and external EU policies could be reinforced, especially under the SDS, where SCP could be further recognised as a key driving force for environmental change. The Lisbon Strategy does not have an explicit

[36] The six areas are: climate change, public health, poverty and exclusion, ageing society, mobility and transport and management of natural resources.

[37] http://europa.eu.int/eur-lex/pri/en/oj/dat/2002/l_242/l_24220020910en00010015.pdf

[38] Commission Communication "Towards a thematic strategy on the sustainable use of natural resources". COM(2003) 572 final, Brussels, 1.10.2003

[39] European Commission. "Sustainable Consumption and Production in the European Union", Brussels, November 2004.

international dimension. Regarding initiatives, such as IPP or CSR the international dimension could be further promoted.

11. The challenge is to find synergies between the different strategies and make them complementary and mutually supporting in the aim of changing consumption and production patterns. The different strategies should also better tackle the drivers of unsustainable patterns of consumption and production; the main question is how this can be done? Does the EU need an additional strategy/framework in SCP, or is it an Action Plan which is needed?

12. The mid-term review of the Lisbon process in 2005 will provide new political guidance for its further implementation. The main challenge is to make sure that the revised Lisbon strategy does not exclusively concentrate on increasing the EU's economic competitiveness, but that it also contributes to the EU's social and environmental objectives, addressing directly key issues on SCP.

13. The EU SDS is also currently in review. One of the issues to be addressed is strengthening coherence between the EU internal and external policies and commitments. This could also represent an opportunity to better integrate SCP concerns and the EU commitments to respond to the 10-year Framework. Another question to address is how to promote/support SCP in the European countries that are not member states of the EU?

14. Achieving SCP requires making use of all kinds of policy instruments (economic, regulatory and social), developing new mechanisms including maybe specific indicators (de-coupling), targets and timelines; and actively involving all stakeholders, underlining their specific commitments and tasks. How to optimise existing resources is another challenge.

15. At the WSSD in Johannesburg, the EU proposed the launching of a global process, comprising governments and other stakeholders on achieving SCP patterns. The EU proposed to have commitments accompanied by medium and short-term goals, targets and measures for relevant sectors, as well as indicators for measuring progress. The EU proposal presented de-coupling and eco-efficiency as relevant goals for all countries, and that they should mainly be regarded as a goal for developed countries, to show political will to achieve SCP and thus contribute to enhanced global sustainability and equity. Whereas, developing countries should aim at an increase in eco-efficiency, and to bring about de-coupling, taking into account their level of development and specific circumstances. Should Europe launch these ideas again and bring them back into the regional and international arena?

16. At the global level, Europe needs to respond to the call of Johannesburg, specifically the development of national and regional strategies on SCP. The next international review meeting of the Marrakech process will be in Costa Rica, September 2005, where EU leadership is expected. What can be presented from the EU as well as a wider Europe? Can Europe lead some of the task forces of the Marrakech Process? The role of Europe will continue to be crucial for the success of the Marrakech process.

Some questions for discussion:

- What are the gaps and synergies among these different EU strategies and processes?
- Are the existing medium and long-term policy frameworks appropriate to guide the EU and its member states to SCP? How to engage non-EU member countries?
- Does Europe (and/or the EU) need an additional strategy/framework on sustainable consumption and production? If so, what concrete measures should be in it?
- How do the national strategies relate to the EU level and how these can be made mutually reinforcing?
- Who should take the lead? What is the role of each stakeholder?
- What are the best mechanisms to track progress? Do we need to set targets and timelines?

Working Group 2: Getting aboard - how to stimulate business initiatives for sustainable consumption and production?

a. Scope: The role of the business sector and trade unions is crucial for industrial development and sustainable production and consumption. Approaches such as corporate social responsibility, environmental management systems, workplace assessments, alternative business models, and voluntary agreements, are examples of business and trade unions action for sustainable development. How can we strengthen these trends towards sustainable business? How to create a better framework for business to flourish, especially for Small and Medium Sized Enterprises? How can business be further and more actively engaged?

b. The Johannesburg Plan of Implementation (JPOI):

At the WSSD in Johannesburg, governments committed themselves to actively enhance corporate environmental and social responsibility and accountability. This would include actions at all levels to:

i) Encourage industry to improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues, taking into account such initiatives as the International Organisation for Standardisation standards and Global Reporting Initiative guidelines on sustainability reporting, bearing in mind principle 11 of the Rio Declaration on Environment and Development;

ii) Encourage dialogue between enterprises and the communities in which they operate and other stakeholders;

iii) Encourage financial institutions to incorporate sustainable development considerations into their decision-making processes; and

iv) Develop workplace-based partnerships and programmes, including training and education.

c. Current status in Europe:

1. The new business climate that has been emerging since the 1990's includes many factors and driving forces that are demanding changes, innovation and corporate social and environmental responsibility. Some of these factors are i) new concerns and higher expectations from citizens, consumers, public authorities and investors in the context of globalisation; ii) increasing influence of environmental and social criteria for investment decisions both for consumers and for investors; iii) increased concern about the damage caused by economic activity to the environment, as well as the costs (e.g. through natural catastrophes); and iv) dissemination and "transparency" and accountability of business activities brought about by the media and modern information and communication technologies, v) v) lack of stakeholder participation to contribute to an effective definition and implementation of strategies/policies.

2. Within this new globalised context, company objectives and policies need to be changed. Traditionally, companies have focused on process improvements, cleaner production, and end-of-pipe technologies. Today, it is imperative to adopt a more holistic approach to both sustainable consumption and production; and to find a balance of the economic, social and environmental aspects, including better standards of social development, environmental protection, to embrace open governance, and to reconcile interests of various stakeholders. The social policy is essential for the dynamic and sustainable development of open economies and societies. Hence, it is necessary to promote education and training and to invest in high labour standards to raise productivity and reduces risk and costs of accidents at work, improve safe working practices. Any shift towards more sustainable consumption and production has to be underpinned by an active involvement of workers and social partners in order to

facilitate the necessary changes, including in the workplace. In this process, companies, trade unions and governments play an important role.

3. Notwithstanding, within the current policy and economic framework for business, the inclusion and adoption of environmental and social issues can imply high initial costs for companies (investment, capacity building, new marketing, etc) and often companies find it hard to identify and obtain the market advantages, especially SMEs. Only some companies have been able to move on and find the win-win situations, where the inclusion of environmental and social cost and benefits represents not just a cost, but also new opportunities and hence more profits. There is a need for a better policy-regulatory framework. Governments need to intervene with a mix of instruments to correct the market failures (e.g. internalise environmental and social costs, provide financial incentives and stringer regulations).

4. The globalised market and higher competitiveness make the challenge of business even harder. However, it offers new opportunities for trade, investment and capital flows. At the WSSD in 2002, governments agreed that globalisation should be made fully inclusive and equitable. That should include supporting the International Labour Organisation and encourage its ongoing work on the social dimension of globalisation; enhance the delivery of co-ordinated, effective and targeted trade-related technical assistance and capacity-building programmes, and implement the outcomes of the Doha Ministerial Conference.

5. There is a variety of initiatives and policies with which the business sector can contribute to move towards SCP, such as Corporate Social Responsibility (CSR), Environmental Management and Auditing Scheme (EMAS), Environmental Accounting, Environmental Liability, Supply Chain Management (sustainable procurement), fair trade, etc. Most of them are being implemented on a voluntary basis. Are the voluntary measures enough or is there a need for regulatory action?

d. Policies and initiatives in Europe

6. An increasing number of European companies are developing corporate social responsibility strategies as a response to a variety of social, environmental and economic pressures. The UNEP GRI Guidelines for sustainability reporting have developed steadily since the GRI process was started in the late 1990s. There are now 600 GRI self-declared reporters, with around half of them coming from European countries. European companies, with 2000 participants, have also been very prominent in the Global Compact. In adopting CSR, companies are investing in their future and they expect that the voluntary commitment they adopt will help to increase their profitability and improve relations with their employees, shareholders, investors, consumers, public authorities and NGO's.

7. In Europe, in March 2000, the European Council in Lisbon made a special appeal to companies' sense of corporate social responsibility regarding best practices for lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development.[40] In 2001, the EU started an international political debate to promote a European framework for CSR. The EC adopted the Communication "Corporate Social Responsibility: a business contribution to sustainable development" in July 2002. The Communication set up a European Multi-stakeholder Forum on CSR as a platform to promote transparency and convergence of CSR practices and instruments, with special emphasis on SME's.

8. Just recently (October 2004), the European Commission launched a nine-month campaign to promote CSR practices by SMEs. The campaign will include 65 educational one-day events in the 25 EU Member States, three candidate countries and Norway. The programme

[40] EU (COM 2001), Employment and Social Affairs, Promoting a European Framework for CSR. Green Paper, Brussels, July, 2001.

aims at ensuring that SMEs have a good understanding of the drivers, success factors and pitfalls related to CSR. The programme offers SMEs a tailored, user-friendly CSR toolkit. It will target Europe's 25 million SMEs, which are recognised as the most important drivers of economic growth and employment, and represent over 95% of European businesses. This is made in partnership with the EU, EUROCHAMBRES, UEAPME and Ogilvy Public Relations World-wide.

9. Since 2001 the Environmental Management and Auditing Scheme (EMAS) has been extended to cover organisations from all economic sectors, including public authorities. In connection with voluntary initiatives, the EC issued a communication on environmental agreements (July 2002) to detail the criteria and procedural rules for them. Currently the Commission is elaborating a framework strategy to stimulate and co-ordinate voluntary actions by business with regard to sustainable production.

10. Sustainable supply chain management has proved to be an innovative and active mechanism for companies to support and promote SCP. Various companies have started to adopt it, such as Novo Nordisk, Ashold, Nike, Volvo, Motorola, Hipp, among others. Ensuring fair value, good working conditions and environmental protection throughout the supply chain is a challenging task. But it is also clear that dealing with the supply chain can provide a strategic opportunity to learn more about both current and future markets and offers huge rewards to all involved. Many companies have started to look more strategically at supply chain management as a source of innovation. However, one of the main obstacles is often the absence of "low-hanging fruit".

11. There is a need to develop incentives and effective mechanisms to stimulate business initiatives for SCP, integrating the social and environmental aspects on the cost-benefits analysis and developing better mechanisms for reporting, auditing and certification. The participation of independent parties for the review could accelerate changes and provide more transparency and trust to consumers and other stakeholders. Successful examples are the Forest Stewardship Council and the Marine Stewardship Council which are independent bodies, that provide certification of sustainable management.

12. Trade Unions, as well as environmental and social organisations, also need to be involved in the task to implement SCP. A recent scoping report carried out for UNEP on the potential role of unions in advancing SCP concluded that trade unions need to make greater efforts to develop internal knowledge, policy positions and possible programmes to become involved as a fully-fledged partner in the process towards SCP patterns[41]. The CSR debate has already shown that the working and the societal environments are linked. As a result, labour unions – like company management - are challenged to develop a more integrated view on production and consumption patterns and to involve other stakeholders.

e. Key challenges to address:

13. Codes of conduct are often used as public oriented statements of business ethics, but often do not reach and/or build trust. How can these codes and other CSR instruments be used more effectively to benefit stakeholders, catalyse change within companies, raise awareness of the linkages between production and consumption, and advance the concept of extended responsibility based on a life cycle approach?

14. Corporate reporting has received much attention and has evolved over the years from pure financial to sustainability reporting. However, the majority of companies do not yet practise integrated sustainability management, let alone full corporate sustainability reporting. This is especially true for SMEs. They are the backbone of most product chains and thus of

[41] Heins Bernard, "The Role of Labour Unions in the Process Towards Sustainable Consumption and Production. Eco-Logic, Germany, 2004.

crucial importance for qualifying product chains for future demands. An integrated management system that includes triple-bottom-line (TBL) performance measures can help to improve business-to-business and customer relationships along the chain and to reduce costs and risks that result from external effects and inefficiencies. However, only a few SMEs have already taken voluntary action towards TBL performance improvements. There is considerable discussion on the internal and external barriers that SMEs are facing. SMEs often lack information, and have weak market, administrative and financial power. How can the implementation of these systems (like EMAS, ISO 14000) be improved?

15. The experience with the lack of implementation of SCP shows that there is a need for changes in the framework conditions. Do markets send the right signals to support this implementation or are corrective measures needed? Measuring environmental and social impacts, strengthening the green supply chain, and developing clear indicators to track progress seem to be necessary actions. It is also important to include the external dimension and the impacts of companies in other countries. It is necessary to multiply the best practices and initiatives of pioneering companies, together with the development of new policies to encourage and help companies to move faster. How can these measures be best implemented?

16. Public-private partnerships have an important role to play. They can help to overcome obstacles, strengthen supply chain management and open up dialogue among key stakeholders, such as governments/authorities and investors, in order to reach changes in the long term. How to promote more public-private partnerships? What can each stakeholder achieve?

Some questions for discussion:

- Identification of gaps, priority areas and new business models to encourage companies to move towards sustainable development.
- What kind of policy framework is needed to support business initiatives on SCP? How can this be supported by business mechanisms (supply chain management, SCR)?
- What can be added by the Commission's sustainable production strategy?
- Who are the stakeholders that need to be involved? What is the role of each stakeholder? What mechanisms should be implemented to promote effective stakeholder participation?
- How to measure and benchmark the business case for SCP? How to promote this in a European and global context?
- What are the specific needs for information, support and better involvement for specific groups such as labour unions, small companies and entrepreneurs (SMEs), companies in new EU member states and other European countries?

Working Group 3: "The role of innovation – How to stimulate the development of sustainable products and services"

a. Scope: During the last decade, the EU and individual countries have developed policies and instruments that seek to take a life-cycle approach to making products and services more efficiently and sustainable. In addition, tools and strategies have been developed such as eco-design, Integrated Product Policy (IPP), Product and Service Systems (PSS), dematerialization, new marketing strategies and alternative systems to meet needs. What needs to be done to accelerate innovation, sustainable product and service systems/design and security of products?

b. The Johannesburg Plan of Implementation (JPOI):
Chapter III of the JPOI calls to "develop production and consumption policies to improve the products and services provided, while reducing environmental and health impacts, using, where appropriate, science-based approaches, such as life-cycle analysis."

c. Current situation in Europe
1. The growing attention to address consumption patterns and develop better product-service systems comes from a realisation that, despite decades of work on cleaner production and eco-efficient industrial systems, there is still a long way to go reach sustainability goals. Focusing on the impacts from products and services is one way forward to address the need to de-couple economic growth from environmental deterioration and to achieve more innovation and eco-efficiency.

2. Consumers are sometimes, as the UK government for example has described it, being "locked in" unsustainable behaviour. Although ordinary consumers might be willing to change some of their choices, the appropriate "hardware" simply does not exist or not at affordable prices. Producers are in a position to reduce environmental impacts not only of the production side, but on the consumption side as well. They can influence and re-orient consumer preferences and reduce the environmental impacts during the consumption phase without necessarily changing consumers' behaviour (e.g. more efficient toilets, washing machines and energy efficiency appliances). This can be done through the design of better products, dematerialization, and/or replacing products with services (e.g. laundries, public transport, car rental). Interface is one of the many examples of companies that are pioneering in this area.

3. In stimulating business innovation, the challenge for governments is to provide efficient product regulation and to motivate all actors involved by creating incentives to voluntarily improve environmental performance over and above the regulatory level. Governments also have to address the pricing of products and internalisation of social and environmental costs, and make sure that companies satisfy underlying consumer needs for better health and safety.

4. The promotion of 'green demand' is a central theme for achieving results. Company decision-makers sometimes look to the various governments for help in raising awareness with consumers. There is a need for market driven innovation as compared to government-led. Differences in what consumers say and what they actually do are often reported. Greener public purchasing can also provide a way for many products to be pulled onto the market, particularly as this type of spending represents about 14% of EU GDP.[42]

5. Many European companies have started to develop new products and services. They have adopted the Life Cycle Approach, developed EMS, consumer information tools, Eco-labels,

[42] The UN and the OECD have recommended that government procurement be improved. See JPOI, and the OECD Recommendation of the Council on Improving the Environmental Performance of Public Procurement. OECD, Act, c (2003)3.

and new market strategies in order to reduce the environmental impacts of products and improve health aspects, as well as to be more competitive.

6. Product and technology innovation needs to be better promoted and adopted. The objective is to enable consumers to satisfy their needs with better performing products or services that use fewer resources, cause less pollution and contribute to social progress world-wide.

d. Policies and initiatives in Europe

7. Improving the sustainability of products and services is an opportunity for growth and competitiveness, and could help to reach the Lisbon goals - making the EU the most competitive and dynamic knowledge-based economy by 2010.

8. The EU Environmental technology Action Plan (ETAP) aims at supporting innovation and the development and use of environmental technologies. It therefore looks to capitalise on the potential for "win-win" situations for both competitiveness and environmental protection from the development of environmental technologies; in particular it is needed to use measures that examine technology procurement and the use of product performance targets.

9. The European Commission is promoting the Integrated Product Policy approach (IPP),[43] and has set out a strategy to implement IPP in Europe. It focuses on two main areas: improving the co-ordination and uptake of policy tools that influence the environmental impacts of products (e.g. economic instruments, the use of LCA, eco-labels and greener public procurement); and undertaking specific actions on products with the greatest potential for environmental improvement. The Commission will launch a co-ordination initiative involving both ongoing data collection efforts in the EU and existing harmonisation initiatives. This initiative will act as a European link to the ongoing UNEP Life-Cycle Initiative. The European Parliament has called for more firm action, including a IPP Directive.

10. The EU is likely to establish a framework for setting eco-design requirements for energy-using products, along the lines of a Commission proposal (August 2003).[44] The proposal would lay down a comprehensive and coherent legislative framework for addressing eco-design requirements for energy-using products fully integrating the life-cycle concept of IPP.

11. In the research area, the European Union in its Lisbon Strategy has set the target of giving 3% of GDP to research. The EU currently is supporting various research projects on state-of-the-art sustainable consumption and production strategies (e.g. EMUDE, SCORE, SUSPRONET, e-LCA, CASCADE, OMNIITOX). Experts working together in these projects are calling for better links between researchers and policy-makers. Related research such as the "Towards Sustainable Product Design" series, recently renamed as "Sustainable Innovation" carried out by the UK based Centre for Sustainable Design, is supported by the Nordic Council. Better links with the business community are needed as well.

12. UNEP is working on various programmes and initiatives on Life Cycle Analysis and Life Cycle Management through its Life Cycle Initiative, with the Society of Environmental Toxicology and Chemistry (SETAC), and supported by various governments and the private sector, many from European origins. It aims at strengthening the scientific base for SCP and to improve the applicability and use of life cycle approaches for product and service development as well as for consumer information tools. Work on eco-design and PSS (Product-Service Systems) are other examples of UNEP's work in this area, working together

[43] European Commission's adoption of the Communication on 'Integrated Product Policy – Building on Environmental Life-Cycle Thinking' (EC 2002).

[44] (COM(2003) 453) http://www.cfsd.org.uk/seeba/EuP.pdf , quoted in the EU inventory on SCP, 2004.

with leading research and design institutes, from The Netherlands (Delft), UK (Centre for Sustainable Design), Italy (Polytechnico Milan) and Sweden (Lund), and on SME's with the German Wuppertal Institute.

e. Key challenges to address

13. The technological advances of the past century made it possible "to produce more than was demanded, and to offer more than was needed."[45] Can the knowledge and technology of the new century develop new manners to produce what is demanded while contributing to economic growth, maintaining/strengthening social cohesion and preserving the environment? Can they increase quality of life without necessary increasing the ownership of goods and products?

14. Progress has been achieved; the supply of green products has increased (e.g. organic food, recycled products). There is still need for action to accelerate the market penetration of "sustainable" products and services (environmentally and socially friendly); and moreover, offer these at affordable prices for consumers, which is a challenge for both business and governments.

15. While making the "polluter pays principle' a reality - by using economic instruments to internalise the economic and social cost, to remove perverse subsidies, and to create economic incentives and financial mechanism to encourage innovation and sustainable services - it is clear that progress at the EU level will not be enough. National governments need to apply these instruments too. How to ensure that this will happen? Which kind of incentives and regulatory frameworks stimulate business innovation? Can we rely only on voluntary initiatives? Is a co-ordinated EU effort on economic instruments needed?

16. During the WSSD, the European Union specified means to achieve SCP; among them was the promotion of de-coupling and eco-efficiency by assessing their potential for the development of eco-efficient products and with a view to further development of objectives and targets for eco-efficiency and de-coupling. Would it be worthwhile to follow up on this proposal to stimulate innovation in Europe?

17. Very often SMEs face the lack of capital to invest and move towards innovation. Some ways to overcome these have been through special national support agencies for SMEs (e.g. Enterprise Ireland or ENEA in Italy). Which other mechanisms are available to encourage innovation for SMEs?

18. Harnessing the power of the market through consumers, both public and private, will be crucial. Creating messages that appeal and persuade individual consumers to demand more sustainable products will be key. How can this best be ensured?

Key questions for discussion:

- Identification of gaps in existing policies and priority areas for further work to encourage producers to innovate products and services.
- Who are the key stakeholders? What is the role of each stakeholder?
- Do we need additional policies to stimulate innovation and the development of sustainable products and services? If so, which policies?
- What is the potential for research, innovation, education and training?
- How can countries with lower mass-consumption patterns leapfrog into SCP patterns?

[45] Edward Rothstein, in The Worldwatch Institute, State of the World, 2004.

Working group 4: Leveraging investment for sustainability - how can investments from government and development banks best stimulate private financing for sustainable infrastructure?

a. Scope: Although funding from government through taxation remains important for providing basic infrastructure, especially to secure basic services for low income groups, funding from private sources, nationally and internationally, is increasing in importance. There is a need to create legal and economic frameworks, which promote investments and favour sustainable use of these funds, especially on infrastructures for waste management, transport and energy. What kind of framework is needed for investments on SCP? How to create public-private partnerships and make better use of these funds? How to attract and involve investors?

b. The Johannesburg Plan of implementation (JPOI):
The JPOI, Chapter III, "encourages relevant authorities at all levels to take sustainable development considerations into account in decision-making, including on national and local development planning, investment in infrastructure, business development and public procurement."

Chapter X of the JPOI calls to "Facilitate greater flows of foreign direct investment so as to support the sustainable development activities, including the development of infrastructure, of developing countries, and enhance the benefits that developing countries can draw from foreign direct investment, with particular actions to:
a) Create the necessary domestic and international conditions to facilitate significant increases in the flow of foreign direct investment to developing countries, in particular the least developed countries, which is critical to sustainable development, particularly foreign direct investment flows for infrastructure development and other priority areas in developing countries to supplement the domestic resources mobilised by them..."

The JPOI calls upon Governments to take further action to mobilise the provision of financial resources, technology transfer, capacity-building and the diffusion of environmentally sound technologies, specially on energy, transport and waste.

c. Current status in Europe
1. Investment has proven to be a powerful catalyst for innovation, sustainable growth and poverty reduction. Despite positive trends in the past decade, business investment and enterprise development in non-industrialised regions continue to fall short of development needs. The Monterrey Consensus identified private capital, including foreign direct investment, as "vital complements to national and international development efforts" and emphasised the need "to create the necessary domestic and international conditions to facilitate direct investment flows"[46]

2. Effective international support for the implementation of concrete projects, particularly demonstration projects, will require the involvement and commitment of development aid agencies, regional and international development banks, as well as the participation of national and regional institutions/organisations, including government, private sector and civil society. It is urgent to create the necessary domestic and international conditions to facilitate direct investment flows.[47] What are the necessary frameworks to stimulate investments for sustainable infrastructure? And how to stimulate the financial sector?

[46] OECD, Global Forum on International Investment. India, October 2004.
[47] United Nations, International Conference on Financing Development, Monterrey, Mexico. UN, 2002.

3. Central and Eastern Europe still faces a complex set of environmental challenges such as hazardous waste sites in residential areas, low energy efficiency, urban air pollution, deteriorating water, sewage and public transport systems. The situation has improved, including in those Central and Eastern European (CEE) countries that have adopted or are striving for adoption of European Union (EU) environmental regulations. The financial sector plays a critical role in the transformation to a more sustainable environment. As financial intermediaries in an economy, financial institutions can contribute to mitigating environmental problems, while at the same time taking advantage of the opportunities that sustainability offers to the finance sector[48].

4. The required compliance with EU regulations has far-reaching implications for the CEE financial sector. New standards call for new investments. EU accession presents a number of new lending opportunities such as investment in wastewater management and financing of new environmentally friendly and energy efficient technologies in the transportation, heavy manufacturing and other heavy polluting industries. On the other hand, lending and investing transactions incur increased mandatory costs, as financial institutions need to check compliance with new EU requirements while being aware of areas where national environmental regulations still differ.

d. Policies and Initiatives in Europe

5. Initially the financial sector had little interest in matters relating to environment and sustainability. Gradually this has evolved. The attitude of financial institutions with respect to sustainability shows important differences, as the result of a gradual development. Considering this process five phases of the banking sector's attitude to the environment and social aspects can be identified: I) indifferent phase, ii) defensive phase, iii)preventive; iv) innovative/offensive; and v) sustainability phase.[49] *In the sustainability phase* social and sustainability criteria are part of the total business and sustainable and social innovative products become normal. In Europe, there are already Banks and financial institutes in this phase (e.g. Triodos and ASN, Henderson Global Investors, etc). The developments of those banks demonstrate that sustainable banking can become a normal sound economic business. How can we stimulate the finance sector to shift towards the sustainability phase?

6. Changing attitudes and helping mainstream financiers to consider sustainability is one of the first obstacles. In order to address this, UNEP Finance Initiative (FI)[50] works closely with 230 financial institutions to develop and promote linkages between the environment, sustainability and financial performance. UNEP recently launched the Responsible Investment Initiative, which will develop principles for the active engagement of institutional investors on social and environmental issues.

7. Sustainable energy investments are the starting point for the UNEP Sustainable Energy Finance Initiative (SEFI), which is a platform to provide financiers with the tools, support and networks to drive financial innovation that improves the environmental performance of the energy mix. The overall strategy is to use this platform to engage financiers to do jointly what they may have been reluctant to do individually, and to catalyse public-private alliances that together share the costs and lower the barriers to sustainable energy investment.

8. The crucial role played by the private sector in financing sustainable initiatives is to create profit/non-profit hybrids to combine the positive aspects of non-profit assistance with

[48] UNEP Finance Initiative, Finance and Sustainability in Central & Eastern Europe.
[49] Van Bellegem and De Clerk, F, The green and Social Fund System in The Netherlands.
[50] UNEP Finance Initiative is a global public-private partnership between UNEP and the private financial sector, for more information see www.unepfi.org

the benefits of for-profit enterprise in order to channel funds towards highly risky small and medium enterprise (SME) investment opportunities, particularly in emerging economies.[51]

9. There have been various initiatives coming from the private and financing sector (banks and participatory funding) to stimulate sustainability and competence and provide information for the public and investors. Such as the Dow Jones Sustainability Indexes launched in 1999. It is the first global index tracking the financial performance of sustainability-screened companies world-wide. Based on the co-operation of Dow Jones Indexes, STOXX Limited and SAM they provide asset managers with reliable and objective benchmarks to manage sustainability portfolios. Currently 52 DJSI licenses are held by asset managers in 14 countries to manage a variety of financial products including active and passive funds, certificates and segregated accounts. In total, these licensees presently manage 2.8 billion EUR based on the DJSI. The Ethibel Sustainability Index (ESI) provides a comprehensive perspective on the financial performance of the world's leading companies in terms of sustainability for institutional investors, asset managers, banks and retail investors.

10. Leading European institutional investors are challenging the investment banking and brooking industries to provide research on socially responsible investment issues. They are expressing the willingness to allocate a minimum 5% of their commission budget to develop research in responsible investment.[52] They recognise that non-traditional issues of corporate performance such as corporate governance, human capital management and environmental management have rarely been incorporated into the mainstream analysis.

e. Key challenges to address:

11. By mediating between investors and companies, between creditors and debtors, financial markets have considerable influence on where capital flows are being channelled. The criteria on which they base their decisions are thus of major significance for the kind of economic growth that takes place. There are good reasons why responsible players in financial markets should take into account the social and environmental matters involved in sustainability, other than mere altruism. By putting sustainability at the centre of its strategy, a financial service provider could be able to reap gains in competitiveness and reputation.

12. It clear that capital alone is not enough, other approaches are needed to improve the investment climate such as:

- selecting projects that address environmental and community concerns;
- using donor funds to help local companies upgrade their businesses, so they qualify for financing;
- promoting transparency and good corporate governance;
- fighting corruption and money laundering;
- encouraging cross-border trade to build regional economies, and
- Promoting peaceful relations between countries.

13. Parallel to this, governments must ensure a good economic and legal framework for investment, user payment, legislation promoting “the polluter pays”, proper pricing of natural resources, enforceable and enforced legislation on investment, stable rules on taxes and charges and stable currency value as well as on remittance of profits, to promote foreign direct investment.

---

[51] UNEP Finance Initiative-INSEAD workshop on Sustainability Oriented Venture and Entrepreneurship.

[52] The group which consist of Universities Superannuation Schemes (USS), PGGM, the Dutch Pension Fund, BNP Paribas Asset Management, RCM, part of Allianz Dresdner Asset Management, and Boutique Generation Investment Management will leading this initiative on research for responsible investment. Financial Times, 10 October, 2004.

14. According to an industry survey conducted in Central and Eastern Europe, some of the common barriers for implementing sustainable financial practices in this region are the difficulty of measuring the benefits of sustainable practices, no clear business case, the lack of legal requirements related to the issue, and high implementation costs.[53]

15. For listed companies, a general problem for investors is the lack of available standardised information on social and environmental performance. The Global Reporting Initiative (GRI) addresses this problem with the development of a set of applicable indicators regarding the environmental and social impacts of company activities.

Some questions for discussion:

- how to create conditions that favour the mobilisation of public and private funding for sustainability (including mechanism for CSR such as GRI)?
- How to make the financial market green?
- How to compete for private investment and increase national savings?
- How to use public funds to create better frameworks and mobilise private funds?
- What is the role of stakeholders/partnerships?
- Needs for policy mix: regulatory, economic and social instruments
- Is there a need for initiatives involving EU rules and regulations?

[53] UNEP Finance Initiative, Finance and Sustainability in Central and Eastern Europe.

Working group 5: Consumption and Quality of Life - How to re-orient the consumer society?

a. Scope: Improvements in efficiency and cleaner production have not been enough to reduce the depletion of natural resources and pollution. One of the main reasons is that the levels of consumption are increasing more rapidly (rebound effect). On the other hand, studies have shown that high levels of consumption do not necessarily make us happier. How does consumption relate to quality of life? How can we give consumers a real option for sustainable consumption? What role can citizens/consumers, retailers, advertisers play?

b. The Johannesburg Plan of Implementation (JPOI):
"Develop awareness-raising programmes on the importance of sustainable production and consumption patterns, particularly among youth and the relevant segments in all countries, especially in developed countries, through, inter alia, education, public and consumer information, advertising and other media, taking into account local, national and regional cultural values."

"Develop and adopt, where appropriate, on a voluntary basis, effective, transparent, verifiable, non-misleading and non-discriminatory consumer information tools to provide information relating to sustainable consumption and production, including human health and safety aspects. These tools should not be used as disguised trade barriers."

c. Current status in Europe:
1. Despite the fact that European industries have increasingly become more eco-efficient in the last decades, the environmental impacts continue to increase, mainly due to the steadily increasing level of consumption. Households share this responsibility as well.

2. The main household environmental impacts are concentrated in food consumption, transport and housing energy use. There has been a growth in these three areas in the EU15 countries during the 1990s, as GDP and household consumption overall grew by about 2% per year. Per-capita calorie intake increased 0.4%, car use by 1.7%, while air travel rose 6%. While population grew by only 0.3% per year, the number of households grew 1.1%, pushing up residential energy use by 0.7% per year.[54]

3. These environmental problems go together with social and economic problems, such as new health problems (e.g. obesity, respiratory diseases). Disparities in consumption and lack of access to goods and services are examples of current social and economic problems that need to be tackled as well when promoting sustainable consumption patterns.

4. Consumption growth is linked to lifestyle changes: smaller households, rising standards of comfort and convenience with automated central heating, ready meals, and increasing car dependence; increase in tourism (especially air travel), and growing numbers of electrical appliances, especially electronic equipment.[55]

5. Moreover, consumption trends in Europe are projected to grow to 2020 and with them environmental pressure and degradation[56]. In other words, the improvement in efficiency alone will not reverse the current trend of environmental degradation.[57] Consumption patterns need to be addressed at the same time. In doing that an integrated production-consumption

[54] Michaelis and Lorek, The Future of Sustainable Consumption for Europe, DEPA, 2003.
[55] Ibidem.
[56] OECD, Environmental Outlook, Paris, 2001. OECD, Towards Sustainable Household Consumption? Paris, 2002.
[57] OECD, Environmental Outlook, 2001.

approach is needed (using up-stream and down-stream policies) and finding effective ways to communicate SCP and engage consumers.

d. Policies and Initiatives in Europe

6. During the last decades, in Europe, especially in the EU member countries, a variety of actions to promote sustainable consumption have taken place. Governments have promoted regulatory efforts related to consumer information (eco-labels, consumer policies[58], eco-taxes, information and education). Some industries and business have improved their products and services through eco-efficiency and eco-design and have started "green" marketing and alternative ways to communicate to consumers. Producers and retailers are promoting and facilitating the accessibility of green products. Consumers and environmental organisations have been active in advocating for consumer rights, and implementing programmes on environmental education for consumers and public awareness campaigns (see EU Inventory on SCP, 2004).

7. It is recognised that better informed citizens can make better (sustainable) choices to bring about concrete changes in their attitudes and behaviour with beneficial impacts on environmental protection. Almost every country in Europe has taken action in this field, specially promoting environmental education, communication and awareness raising. They have also developed information tools, such as eco-labels, new green marketing and electronic information. Nevertheless, there are still some key questions that remain open; are these mechanisms effective or sufficient? Are they supported by other policies?

8. Eco-labels are widely used tools to inform consumers and communicate a complex message in a simple way. The EU Eco-label[59]Flower was introduced in 1992. The Flower is awarded by an independent third-party only to products that meet a set of strict environmental and performance criteria. Its strength is that it is recognised and managed Europe-wide. Between 2001 and 2003, the number of licence holders increased by 70% and the number of articles sold rose by 350% between 2000 and 2002. Nevertheless, the market share of eco-labelled products is still marginal.

9. However, it seems that all these efforts have not been enough to re-orient the mass consumers towards sustainable patterns. Increased income and consumption certainly improves living standards, however there is a downside to modern life-styles that can have significant negative effects on that and quality of life. How does consumption relate to quality of life? When does more consumption not lead to more happiness or better quality of life? Citizens can be "richer, fatter but not much happier" as the Worldwatch Institute has reported.[60]

f. Key challenges to address:

10. How can we give consumers a real option for SC? Information can be a powerful tool for promoting more sustainable household consumption patterns. Nearly every government, private sector, or NGO initiative for the environment calls for a better informed and more active public. What does influence consumption behaviour? How to communicate effectively to consumers?

11. Information is one factor in a broad range of “software” (personal preferences, cultural practices; social norms; regulations) and “hardware” (physical infrastructure, technology, available goods and services) that influence household consumption patterns. Some key challenges are:

[58] Including the EU Consumer Policy Strategy 2002-2006 (COM(2002)).
[59] http://europa.eu.int/comm/environment/ecolabel/index_en.htm
[60] Richer, Fatter but not much happier. Press release, The Worldwatch Institute, Washington, January, 2004.

- Price: internalisation of environmental costs and benefits. Very often market sends the wrong signals to consumers. Environmentally friendly products/services are more expensive, and instead of the 'polluter pays principle", the consumer is in the situation of the "protector pays principle." How can governments really internalise environmental and social costs?

- Policy and regulatory framework that makes clear the priorities and direction for change. There must be an integrated policy and regulatory framework that creates market signals that steer private sector and consumer behaviour in the same direction, rather than isolated actions and policies. Some experts are calling for legislation (bans, rationing of products) rather than trying to steer individual consumer choices.

- Availability of a variety of environmentally friendly goods and services at affordable prices. What kinds of policies are expected from governments? What is the role of retailers, and at the same time how to make these products attractive and desirable for consumers?

- Technology and infrastructure that include environmental and social quality criteria in the design and running of transportation networks, housing, waste management, etc. – Technology and infrastructure can hinder or create opportunities for sustainable consumption.

- Education and information that empowers consumers to adopt sustainable consumption patterns.

- Communication, advertising and marketing. The advertising and marketing sector plays a vital role in sustainable consumption as they have a strong influence on consumption patterns. Consumers, especially young people, are often confronted with the seemingly contradictory choice of wanting to help people/workers and protect the planet versus the hedonistic desire to buy the latest "must-have brands"; can we match these two desires? How? The traditional messages from governments and green groups have in the past been moralistic and "guilt-laden" which is not attractive for consumers. Consumers should be encouraged to visualise and dream about sustainable life-styles, which are fashionable and desirable.

Some questions to discuss:

- Identification of gaps and priority areas for further work to re-orient consumers towards sustainable life-styles
- Who are the key stakeholders? What is the role of each stakeholder?
- What kind of policies do we need? What will be the most effective policy mix: combining regulatory, economic and social instruments?
- Potential for research, innovation, education and training
- Needs for monitoring: how to measure? What indicators, targets and de-coupling benchmarks?
- What are the needs for information on sustainable consumption?
- How can countries with lower mass-consumption levels leapfrog into SCP patterns?

Working group 6: Global dimension – How can Europe contribute to sustainable consumption and production world-wide?

Scope: Many European policies and life-styles influence consumption and production patterns in the wider world, either directly or indirectly. How can Europe make a positive effect on sustainable consumption and production globally? How can Europe share knowledge and information, capacity building, technology transfer and financing? What is needed to remove barriers and create enabling environments? One of the objectives of this Working Group is to provide an input to the upcoming CSD sessions on thematic cycles, with sustainable consumption and production as a cross-cutting issue.

b. The Johannesburg Plan of Implementation (JPOI):

The JPOI Chapter III states that "fundamental changes in the way societies produce and consume are indispensable for achieving global sustainable development. All countries should promote sustainable consumption and production patterns, with the developed countries taking the lead and with all countries benefiting from the process, taking into account the Rio principles, including, inter alia, the principle of common but differentiated responsibilities as set out in principle 7 of the Rio Declaration on Environment and Development."

All countries should take action, with developed countries taking the lead, taking into account the development needs and capabilities of developing countries, through mobilisation, from all sources, of financial and technical assistance and capacity-building for developing countries.

The JPOI calls upon Governments to take further action to mobilise the provision of financial resources, technology transfer, capacity-building and the diffusion of environmentally sound technologies, specially on energy, transport and waste. It stresses the need to "integrate energy considerations, including energy efficiency, affordability and accessibility, into socio-economic programmes especially into policies of major energy-consuming sectors, and into the planning, operation and maintenance of long-lived energy consuming infrastructures, such as the public sector, transport, industry, agriculture, urban land use, tourism and construction sectors."

c. Current status in Europe

1. During the 20th century, world consumption has undergone vast expansion, with substantial positive effects on human welfare for a large number of people. However, there are huge disparities in consumption levels between developed and developing countries, as well as widening gaps between the wealthy and the poor.

2. In the globalised markets, consumption and production patterns of all countries have domestic as well as global impacts (positive and negative). As countries are competing to become the most competitive, innovative, hi-tech economies, much of the social and environmental impacts of primary production will be increasingly felt in other -often poorer regions. Poorer countries might not have the financial, human, social or technological capacities to overcome the negative environmental impacts and maximise the economic and social benefits of increased demand for their goods and services on world markets.[61] In tackling SCP issues globally, one of the most important actions is to tackle the negative environmental and social impacts and maximise the positive aspects/opportunities.

[61] EU paper on Sustainable Consumption and Production, preparatory paper for the WSSD, 18th December , 2001.

3. The increasing demand for sustainable products (e.g. organic food, fair trade goods) and services (e.g. eco-tourism) in Europe represents new business opportunities and niche markets for developing countries. At the same time, SCP could represent an opportunity for less industrialised countries to leapfrog from traditional polluting production to a more technologically advanced production (by learning from the experiences of industrialised countries and avoiding repeating their mistakes, integrating sustainable measures from the start). International co-operation is required to implement sustainability world-wide. In doing that, it is necessary to strengthen knowledge and information sharing, capacity building, technology transfer and financing. The removal of trade barriers and creating enabling environments is a condition. International co-operation to avoid social and environmental dumping is also needed.

4. Poverty eradication and social issues such as labour conditions and human rights have clear linkages with the SCP agenda, as has been increasingly highlighted in global and regional meetings. Most of the work so far however has been environmentally oriented. Sustainable development, as well as SCP, requires ensuring fair access to resources to all countries and social groups, and ensuring that basic needs are covered for all.

d. Key policies and initiatives

5. Europe has actively promoted and signed various international agreements/declarations setting commitments and goals for sustainable development, such as the Millennium Declaration, Agenda 21 and JPOI. Meeting the commitments globally will require significant increases in the flow of financial resources as elaborated in the Monterrey Consensus.

6. At the WSSD, the EU, supported by several other European countries, promoted the setting of SCP targets and timelines. Several European countries, such as Belgium, Denmark, Finland, France, Germany, the Netherlands and Sweden as well as Norway, have actively contributed to initiate the consultation processes on the 10-year framework by providing financial support to enable stakeholders from developing countries to be part of the effort.

7. Since the Rio conference, sustainable consumption and production has not been - in a systematic and a coherent way – capable of answering the questions regarding the global dimension of consumption and production. The EU Lisbon Strategy includes several EU's economic and social dimension, but does not include the external dimensions.

8. The EU Sustainable Development Strategy (which is currently being reviewed for the first time since it was adopted at the Gothenburg Summit in 2001) is the overarching strategy to achieve sustainable development internally and to fulfil the European external commitments on sustainable development. The external dimension of the EU SDS is building on the EU input to and the commitments made in the Millennium Summit, Monterrey, Doha and Johannesburg.

9. The Conclusions of the European Council, in June 2004, stated that “the European Council expresses its concern at the faltering progress towards the achievement of the Millennium Development Goals, especially in Africa”. It reiterates that the EU will intensify its efforts to fulfil the commitments undertaken in Monterrey, including through the exploration of innovative sources of financing, and will strongly support UN attempts to accelerate progress towards the achievement of the Goals.

10. The WTO Ministerial Conference/negotiations (Doha and Cancun) directly tackled the external issues of trade and environment access to market, reducing barriers in agriculture, and technical assistance for developing countries. On the other hand, the flexible mechanisms of the Kyoto Protocol such as Cleaner Development Mechanism (CDM) make reference to

the relationship between developed countries and countries with economies in transition. (* add paragraph on the results of CDM).

11. At the global level the first international meeting on the 10-year framework of Programme on SCP, the "Marrakech Process" was launched to encourage and facilitate the international co-operation and co-ordination to promote SCP. Some of the main conclusions at the Marrakech meeting were to establish mechanisms that encourage and support information and experience sharing, network building, and dissemination of best practice (e.g. interactive web sites and expert meetings on specific issues on SCP). It was also agreed to involve all stakeholders and establish concrete partnerships and strengthen regional processes in all regions. The Marrakech Process on SCP should be supported by informal task forces or round tables on SCP, with the participation of experts from developing and developed countries.

12. UNEP and UN DESA have so far organised a number of regional expert meetings and one international meeting. The two organisations launched, at the CSD12 (April 2004), the joint website on the 10-year framework. It contains up-dated information and key documents on the regional and international development of the "Marrakech Process"[62]. UNEP and UN DESA are currently organising a second international meeting that will take place in Costa Rica, in September 2005.

13. Financial support for these activities has come mainly from European governments: Belgium, Denmark, Finland, France, Germany, The Netherlands, Norway and Sweden. Some countries have expressed interest in supporting specific substantive task forces in which the scope for implementation of concrete tools will be demonstrated.

e. Key challenges to address

14. At the WSSD in Johannesburg, the EU suggested that "to enhance global equity, eco-efficient practices as well as product policy should offer developing countries possibilities for 'leapfrogging' from traditional, polluting production to a more technologically advanced production, and into environmentally viable economic growth that takes into account the poor and uses natural resources in a sustainable way. They should also offer possibilities for a good working environment, including equal occupational rights and opportunities, health and safety at work, employee involvement and lifelong learning."[63] Which kind of mechanism and co-operation is needed to make this happen?

15. One of the recommendations was that donor countries and international organisations should assist developing countries in reviewing their environmental progress with respect to their domestic objectives and international commitments, using environmental indicators and other information, including developing consistent frameworks, methodologies, and in measuring performance to promote eco-efficiency and de-coupling as appropriate. Can this proposal become one of the key elements for the Marrakech Process?

16. The challenges and priorities for future work requires on the one hand initiatives in Europe to address those unsustainable patterns of consumption and production that have negative effects on sustainable development in other regions. On the other hand, it urges Europe to actively support other regions in their quest for sustainable development. When addressing technology transfer to developing countries and to countries with economies in transition one must be aware that this is an 'umbrella' concept with 5 different key elements: i) technology needs (assessment), ii) technology information (system), iii) capacity building,

[62] see www.uneptie.org/sustain/10year
[63] EU paper on Sustainable Consumption and Production, preparatory paper for the WSSD, 18th December, 2001.

iv) enabling environment and v) institutional and financial mechanisms. What are the best mechanisms for Europe to support these? Can green supply management be combined with increasing market opportunities for less industrialised countries?

Some questions for discussion:

- In Europe, how can policy coherence be improved between internal policies and external commitments? How to address the negative social and environmental impacts in other countries?
- Identification of gaps and priority areas for further work at the international level (e.g. "Marrakech Process", Millennium Declaration). What do we want the Marrakech process to achieve? How can we truly integrate SCP considerations in the policy cycles of the CSD?
- Who are the key stakeholders and what is the role of each one?
- Can ODA be targeted to support increased eco-efficiency?
- Needs for monitoring: how to measure? What indicators, targets and de-coupling benchmarks?
- How to improve synergies between MEAs and JPOI?

Annex I.
Baltic Sub – regional Multi-stakeholder Workshop On Sustainable Consumption and Production

Vilnius 17 – 18 June 2004

Chair's Summary

The workshop was held under the auspices of the Ministries of Environment of Estonia, Latvia and Lithuania, hosted by the Ministry of Environment of Lithuania, and supported by the Ministry of Environment of Finland. The workshop was organised by UNEP Regional Office for Europe in collaboration with the Center for Environmental Policy in Lithuania, Green Liberty in Latvia and the Estonian Green Movement. Participants consisted of almost 80 representatives from Ministry of Environment, Economic Development, and Transport, local authorities, NGOs, business and academia from the three countries, and included representation from the European Commission, UNEP and the Ministry of Environment of Finland.

The objectives of the workshop were:

- to raise awareness of sustainable consumption and production (SCP) issues in the Baltic countries and facilitate multi-stakeholder dialogue.
- Reporting on status and changes on SCP patterns, ongoing actions and plans in the Baltic countries.
- Sharing examples of good practice and case studies from various stakeholder groups.
- to identify national and sub-regional priorities and needs for promoting SCP.
- to support the development of multi-stakeholder partnerships in the Baltic countries with the purpose of continuing dialogue and promoting coherent and concerted action.

Prior to the workshop, the three countries prepared background reports to illustrate changes of consumption and production patterns and environmental status analyse inter-relationship. This two-day workshop was structured into presentations and discussions and three working group discussions. It succeeded in generating a lively atmosphere and broad participation in the discussions, and a number of significant conclusions were reached.

Changes in Consumption and Production patterns and their consequences to the environment (Trends/Achievement) .

Following the end of the Soviet era, the three Baltic countries faced an initial inevitable economic and social decline. The deepest recession was experienced in 1994. The recovery of the economy started since 1995, and acceleration of the growth of production as well as increase in household consumption has been observed. The overall environmental situation has improved, however there are concerns that increased household consumption, which caused an increase in the amount of household waste and private car ownership, could overshadow the improvements achieved. Hence the need to take into consideration sustainability issues related consumption and production.

An essential decrease in consumption of natural resources and discharges of pollution was observed due to the decline in the amount of production in industry and agriculture, an increase in prices for natural resources, and modernisation of technologies. Some remarkable changes, to note, were a drastic decline of pollution from agriculture and increased share of renewable energies. De-coupling of production from consumption of natural resources and

took place from the very beginning of the transition period. Reduction in rate of pollution associated to consumption of energy and natural resources has been significant for the last several years.

All three Baltic States have taken action for achieving sustainable development. National strategies for sustainable development have been established. Data gathering to monitor progress has been well developed. The governments have already formulated and implemented some economic and legal instruments and have completed transposition of EU requirements into national legislation.

The number of industrial companies implementing EMS, cleaner production methods and environmental friendly technologies has been growing rapidly. The role of NGOs and environmental movements in promotion of sustainable consumption and production patterns, and more environmental friendly life styles has increased. Awareness on sustainable development (but not so much sustainable consumption and production) has increased through the development of Local Agenda 21 and Municipal strategies for sustainable development.

1. Problems and needs

Although much progress has been observed, the following areas are identified as problems and needs for future actions .

- Production efficiency

Despite an improvement of energy consumption intensity and eco-efficiency of production, the efficiency level is still low. For example, energy efficiency is half of the average of EU 15 countries.

- Transport

Fast growth of transport volume, in particular, a very sharp increase of the most polluting modes (road transport) and slow development or reduction of more environmentally friendly modes (railway and internal water transport) has been creating an essential environmental problem. Moreover, the decline of public transport system will lead to social problems.

- Waste management

The current very low level of separation and recycling of household waste blocks more efficient use of materials. It is also important to address waste management now, since the household consumption and waste generation is increasing.

- Information for consumers

Information provision system for consumers has been weak. Education and awareness raising programs have largely lacked.

- Policy framework

So far SCP has been little addressed in government policies, and there has not been much effort to promote eco-product.

2. Recommendation for future action

The workshop recommended a series actions as beneficial for the promotion of SCP. Priority actions include:

- To establish a high level ***multi-stakeholder body*** at the national level to facilitate the promotion of SCP and ***multi-stakeholder SCP network*** in the Baltic sub-region. To strengthen co-ordination at the governmental level and Cupertino among all stakeholders.

- To integrate SCP considerations into ***sectoral and regional action plans***, implement modern and environmental friendly technologies, EMS and cleaner production methods in order to secure further increase in eco-efficiency of production and de-coupling from environmental impact.
- To develop more environmentally sustainable ***transport*** modes with special emphasis on the development of public transport, road safety and increase in the use of bio-fuels.
- To introduce modern ***waste management*** systems, based on reduction, reuse and recycling of waste, and provision of sorting of industrial and household waste near the sites of generation. This is an important issue to be addressed due to the recent increase in the generation of domestic waste.

Other important actions recommended include:

- To implement SCP and environmental criteria in ***public procurement*** and to promote ***green procurement***.
- To revise the structure of ***taxation and subsidies***, to ensure greening of the budget in order to reduce consumption of non-renewable resources and hazardous materials, stimulate reuse and recycling, and reduce environmental impact.
- To reduce in number the eco-labels in favour of implementing unified EU wide ***eco-label*** system, and to facilitate uptake by companies and promote information.
- To accelerate transfer of modern environmentally friendly ***technologies*** and provide technical assistance, to strengthen the role of local science in the promotion of more sustainable production and consumption.
- To promote organic ***farming*** and secure low level of pesticides and mineral fertilisers consumption, and to improve the quality and safety of agricultural products in conventional farms as well as in organic farms.
- To renovate and insulate houses and upgrade their thermal performance in order to increase energy efficiency for ***domestic heating***.
- To improve environmental ***education***, for the general public and, develop curricula for general and professional education, and to promote ***awareness-raising*** programmes and campaigns for all stakeholders groups.
- To develop indicators directly related to SCP to ***monitor*** regularly the progress to sustainable consumption and production.

Workshop Chair: Professor Romualdas Juknys

Annex II.

Examples of Policies and strategies for Sustainable Consumption and Production in Selected non-EU member countries in the Pan-European Region

TABLE CONTENTS

1. INTRODUCTION

This report provides selected examples of policies, initiatives and instruments on sustainable consumption and production in the pan-European region. It aims at complementing the publication "Sustainable consumption and production in the European Union" which is an inventory of policies, activities and instruments at the European Community level with best practice examples from a number of selected EU Member States.

2. GENERAL POLICY STRATEGIES AND INSTRUMENTS

2.1 General policy framework

Croatia: Multi-stakeholder process to prepare a Strategy of Sustainable consumption and Production is being initiated and involves Ministry of Environmental Protection, Physical Planning and Construction, Ministry of Agriculture, Forestry and Water Management, Ministry of the Economy, Labour and Entrepreneurship, Ministry of Health and Social Welfare, Croatian Chambers of Economy, Consumer society, Agricultural Institute, Croatian Food Agency and non-governmental organisation.

Kazakhstan: The Council for Sustainable Development, organised under the Government of Kazakhstan, comprises representatives of the Parliament, the Government, local administration, business sector, farmers, scientists, and NGOs, including gender and youth organisations. The Council assists in the formulation of the state policy on Sustainable Development, implementation of the WSSD commitments, and addressing the Millennium Development Goals on the basis of inter-sectoral co-operation. The Council is currently developing suggestions to the government on fourteen fields. Highlights of SCP related fields: implementation of sustainable models of production and consumption, development of sustainable transport systems, reduction of emissions (including greenhouse gases and substances depleting the ozone layer), utilisation of new and environmentally safe technologies, energy efficiency and energy-saving, and radiation and chemical safety and waste management.

Moldova: The Mid-term Strategy for Socio-economic Development of the Republic of Moldova to 2005 (http://www.moldova.md) addresses sustainable consumption and production. For example, the emphasis of Chapter IV - Sectoral Policy is on ensuring clean agricultural production and environmental protection. In Chapter VII- Environmental Protection and Rational Use of Natural Resources, the priority areas include development of environmental certification and quality standards; improving access to environmental information; supporting new clean technologies; transition to integrated water management and utilisation consistent with relevant EU policies and requirements; introduction of ISO 14000 standards, and improvement of industrial and municipal waste management.

Ukraine: The Government of Ukraine is currently preparing a Sustainable Development Strategy, which pursues economic growth following an innovation model, social improvements, environmental protection and rational use of natural resources in a balanced way, and will include detailed objectives and actions.

Russian Federation: Two strategies, the "Major directions of long-term development of the Russian Federation (up to 2010)" and "The Mid-Term Programme of Socio-Economic development of the Russian Federation" (2003 – 2005)", identify the following needs: diversification of products and changing production patterns into higher value added (i.e. more based on high technologies, and less dependent on natural resources, such as oil and gas), increased investment in production facilities, increased mobility of experts between government and private sectors, R&D, and industry. These programmes also discuss the introduction of taxes on environmentally unsound products and life cycle approaches.

2.2 Thematic Strategy on Sustainable Use of Natural Resources

Russian Federation: The Environmental Strategy of the Russian Federation defines three main directions of governmental environmental policy:

- Ensuring sustainable use of natural resources: the main task is "non-depleting use of renewable natural resources and the rational use of non-renewable natural resources"
- Decrease in environmental pollution, resource saving and preservation and restoration of the environment: the main task is to decrease environmental contamination by emission, dumps and waste products, and also the energy intensity of production and services
- Preservation and restoration of environment; preservation and restoration of a landscape and biological diversity, sufficient for maintenance of ability of natural systems to self-control and indemnification of consequences of anthropogenic activities.

2.3 Integrated Product Policy ('IPP')

Croatia: The Law on Environmental Protection (OG No82/94, 128/99), Article 45, requires manufacturers to provide warnings against pollution that might be caused by their products, raw materials or packaging, as well as information regarding handling of packaging after use, before marketing products. Article 43 promotes life cycle thinking by developing an Environmental Label awarded to manufacturers for environmentally friendly products.

2.4 Economic Instruments

General

Republic of Montenegro (Serbia and Montenegro): The Law on the Environment of Montenegro, 1996, defines the financial sources of environmental protection. These include pollution taxes and charges for air emissions, fossil fuels, ozone-depleting substances and hazardous waste. In addition, where development projects (for example for tourism) affect an area of national park, investors must pay 2 percent of the total investment value in the project, unless the project is directly related to nature conservation. Where, however, the law requires environmental impact assessments for the project, 1 percent of the total investment value is payable. The revenue received is spent on implementing the Ecological Plan, through the financing of nature protection programmes, programmes to reduce pollution, and the training of professional staff.

Pollution fees

Republic of Montenegro (Serbia and Montenegro): Air emission charges were introduced under the Decree on Environmental Pollution Charges (No. 26/1997), for SO2, NO2, organic compounds, heavy materials, and fluor substances. The Decree also includes a carbon tax on the use of fossil fuels and several transport related taxes, including a 10% environmental tax on vehicles paid at registration.
Water pollution charges were introduced under the Decree on Water Pollution Charges (No. 15/1996). The rate of the water pollution charges are determined based upon considerations which include the quantity, degree, type and location of pollution with consideration given to Biological Oxygen Demand, Chemical Oxygen Demand, suspended materials, heavy metals, nitrate, phosphorus, mineral oils, sulphates, cyanides, and PH value.

Bulgaria: The following pollution fees are being collected: environmental fines, administrative charges, liquid fuel tax, product charges, and water usage. Twenty percent of the pollution fees collected are channelled to the State Enterprise for Management of Environmental Protection Activities (established 2003), and the remaining 80% goes to

municipal budgets allocated to solving environmental problems including investment for water, air and waste sectors. The State Enterprise for Management of Environmental Protection Activities is providing financial support to solve acute environmental problems at national and local levels and for priority environmental projects.

Energy taxation

Croatia: An Energy Efficiency Fund was established in 2003 based on Article 60 of the Law on environmental protection (Official gazette 82/94 128/99) and Article 11 of the Law on energy (Official Gazette 68/01). The Law on Energy Efficiency Fund was published in the Official Gazette 107/2003, and is in force since January 1st 2004. The resources for funding include charges for pollution, exploitation of natural resources, environmental load, and motor vehicles. The collected fees are used, among other things, for climate change mitigation, the promotion of renewable energy sources, and the promotion of sustainable construction and cleaner transport in the form of loans stipulated to public and private sectors.

State aid for environmental purposes

Bosnia and Herzegovina: The Law of Enviromental Protection established the environmental protection fund for: the promotion of the development of an environmentally safe economic structure; the prevention of environmental damage; the remediation of environmental damage; the conservation of nature protection areas; the motivation and promotion of the most efficient techniques and alternatives; the improvement of public environmental awareness; and environmental research.

2.5 Information tools

Education, awareness-raising and public information

Bulgaria: The Ministry of Environment and Water carried out a number of national awareness-raising campaigns to inform the public on issues such as the use of unleaded gasoline, the European automobile-free day, climate change and ozone-depleting substances, and household waste reduction. A recent survey carried out by the National Sociological Representatives shows that 50% of interviewees were interested in the environment. The survey reveals that the TV could be the most preferred way of communication, followed by national and local newspapers.

Croatia: The Croatian Centre for Cleaner Production (www.cro-cpc.hr) is a non-governmental organisation that promotes the concept of cleaner production in Croatia. Cleaner production is the continuous implementation of integrated, preventative strategies for environmental protection in the production process. The main activities of the Centre are: education, consulting and awareness-raising of the wider public about the concept and methodology for application of cleaner production tools, and introduction of the Environmental Management and Auditing Scheme into the Croatian business community.

Russian Federation: Environmental education in Russian universities across the country is co-ordinated by a special council headed by the Dean of the Geography Department of Moscow State University. There is a non-governmental association for environmental education on schools, informal, and non-formal education (ASEKO) which publishes monthly newsletters and has its web site at www.aseko.org.

Serbia and Montenegro: A Multi-stakeholder Workshop on Sustainable Consumption (2002), an event on Foreign Direct Investment: Financing Sustainability (2002), and a Round

Table on Cleaner Production (2003) were organised by the Ministry for the Protection of Natural Resources and Environment of Serbia, together with UNEP. The objectives of these initiatives were awareness-raising and exchange of information, as well as serving as kick-off events for formulation and implementation of further activities. The need for development of information exchange mechanisms was identified as one of the key priority areas.

Eco-label

Croatia: The environmental label is regulated by the Law on Environmental Protection (Official B Gazette No 82/1994, 128/1999), Article 43; and by a special Rule Book on Environmental Labels (Official gazette 46/1996). The Environmental Label (Eco-label) is awarded to manufacturers of consumer goods, except for foodstuffs, beverages and pharmaceutical products, for products, that, at production, marketing and/or use and waste management stages generate a considerably lower environmental impact than other products of the same or similar kind. Examples of these products include those that can be re-used several times, that contain replaceable parts, and products for the manufacture of which natural resources are used reasonably. The "Commission for the award of the Environmental Label", consisting of five members who are representatives of the Ministry of Environmental Protection, Physical Planning and Construction, the State Bureau for Standardisation and Metrology, a non-governmental organisation for environment, consumers and of trade and industry, is in charge of decisions.

Macedonia: The Ministry for Environment and Physical Planning is in the process of establishing a system of eco-labelling for products and services, in accordance with the Law on Environment and Nature Protection and Promotion, as provided for by the Proposal on Law on Environment (Article 29). A commission, under the Ministry of Environment and Physical Planning, which includes representatives of various ministries, economic entities, NGOs and scientific institutions, is responsible for defining the priority products and services for which criteria should be set. In addition, an eco-label logo for organic agricultural products was adopted, which is planned to be awarded by the Ministry of Agriculture, Forestry and Waster Economy.

Consumer information

Croatia: A well-known organisation for the promotion of consumer rights and information exchange is "Potrošac" ("Consumer"), www.potrosac.org. This organisation is used actively for information exchange and dissemination.

Macedonia: The Proposal on Law on Environment (Article 27) specifies that "Products, semi-products and raw materials, as well as their packaging, shall not be released for trade without proper labelling and specific warning, as required by the law, of the possibility of pollution or their likely effect on the environment and human health". The proposal also outlines procedures for access to environmental information.

Pollutant emission register

Russian Federation: A Pollutant Release and Transfer Registers (PRTR) system is under development in five regions of Russia, namely in St. Petersburg, the Volgograd region, the Perm region, the Astrahany region, and the Arkhangelsk region. Actions that have been taken so far include the compilation of a list of enterprises included in the PRTR and the preparation of a quantitative assessment of emission levels for air pollutants. The major sources of pollution have been identified (for example from pulp and paper mills and thermal electric power stations) and further subjects to be researched have been highlighted.

2.6 Analytical tools

Kazakhstan: A pilot study of sustainable development indicators for resource-saving was undertaken supported by TACIS under the framework of the Regional Environment Centre Central Asia project. The study resulted in the recommendation to include in the state programme of statistical observations data for: energy intensity, material intensity, water intensity, cost of new technologies, use of alternative energy sources, share of expenses for labour payment of production workers, and expenses for scientific research.

2.7 Research and development

Moldova: In recognition of the importance of developing research and innovation to ensure SCP, Moldova has adopted a series of legislative acts and strategic documents, including the State Policy in Research-Development, the State Policy for Innovation and Technological Transfer, and the approval of Strategic Priorities of Research-Development for 2004-2010**.** The main state policy objectives in the area of research and innovations include: raising the level of research-development and using efficiently technological-scientific results in the economy.

3. SECTORS AND ISSUES

3.1 Industry/cleaner production

Regulatory framework on air and water pollution

Kazakhstan: Air quality is regulated by the Law on Atmospheric Air Protection, adopted in 2002 and is addressed by a range of instruments, involving, for example:

- the calculation of pollutant concentration and maximum permissible concentrations of pollutants in atmosphere;
- environmental pollution payments; and
- the issuance of permits for special nature use.

The Water Code of the Republic of Kazakhstan, adopted in 2003, serves as the basis of regulation of household, industrial and agricultural water use. Measures include the setting of limits for the release of dangerous chemicals in industrial wastewater into water bodies. The quality of surface waters is determined, based on the standards of 2.1.4.559-96 SNiP (standards, norms and rules, 1996) and the general level of water contamination is determined based on ratio of measurements and maximum allowable concentration of pollutants.

Croatia: The National Environmental Strategy and the National Environmental Action Plan (OG 46/02) set the air protection policy measures for a period of ten years, including plans for major pollutant and greenhouse gas emission reduction by sectors, and measures related to the problems of acidification, eutrophication and the accumulation of ozone gas at ground level.
The regulatory framework for water pollution is constituted by a number of national regulations, including the Water Protection Plan (OG No 8/99), which seeks to protect marine areas from inland-based pollution and provides for: research and examination of water quality, water categorisation and protection measures, emergency measures for accidental water pollution and the planned construction of wastewater treatment plants and installations.

Bulgaria: Air pollution is regulated under the Clean Air Act (SG 45/1996) and is addressed by various Ordinances. Four Ordinances relate to ambient air quality assessment and management[64], setting limits for concentrations of sulphur dioxide, nitrogen dioxide, fine particulate matter and lead in ambient air[65], as well as for benzene, carbon dioxide[66] and

[64] See document link: Ordinance No7 from May 3, 1999 on ambient air quality assessment and management (http://www2.moew.government.bg/recent_doc/legislation/air/en/nar7e.doc)
[65] See document link: Ordinance No9 from may 3, 1999 on limit values for sulphur dioxide, nitrogen dioxide, fine particulate matter and lead in ambient air (http://www2.moew.government.bg/recent_doc/legislation/air/en/nar9e.doc)
[66] Ordinance on limit values for benzene and carbon dioxide in ambient air

ozone[67]. Other ordinances transpose EU legislation setting emission limit values of gases from combustion plants[68] and of certain volatile compounds[69]. Requirements are also set for terms, procedures and methods of control of liquid fuels[70] as well as limits on VOC emissions resulting from storage, transportation, loading and unloading of petrol[71].
In the Water Quality Sector the main requirements are provided in the Water Act[72], the National Strategy on Water Development and Management until 2015 and the programme on reducing water pollution caused by certain dangerous substances (zinc, copper, chromium, nickel and arsenic). Various Ordinances also address regulation of water quality, setting limits for admissible concentrations of dangerous and harmful substances in waste water discharge[73], establishing terms and procedures for discharge of industrial waste[74] and issuing permits for waste water discharge[75].

Voluntary Initiatives and Codes of Conduct

Croatia: The Croatian Business Council for Sustainable Development (www.hrpsor.hr) was founded in 1997 by leading businesses aiming at promoting Environmentally responsible management; eco-efficiency, social corporate responsibility and stakeholders' dialogue. The organisation actively shares information on good practices, experience, guidelines, and innovative approaches among the business community, and maintains a close collaboration with other sectors.

Environmental Management and Auditing Scheme ('EMAS')

Croatia: The Republic of Croatia adopted the international ISO standards regulating environmental auditing (General principles, Auditing procedures, Qualifications standards) that public and private enterprises accept on a voluntary basis. These are Croatian standards HREN EN ISO 14010 – Guidelines for environmental auditing – general principles, HRN EN ISO 14011 – Auditing procedures – Assessment of the environment management system, HRN EN ISO 14012 – Guidelines for environmental auditing – Qualification standards for environmental auditors. The State Office for Standardisation and Metrology adopts these through technical committees in which the representatives of interested parties from public and private enterprises and representatives of state administration bodies take part.

Republic of Montenegro (Serbia and Montenegro): According to Article 14 of the Environment Law, new and existing facilities undertaking certain activities are required to elaborate environmental protection programmes comprising of, for example:
- identification and listing of environmental impacts caused by their activities;
- environmental impact assessment of potential risks of accidents; measures for prevention, limitation and monitoring of environmental pollution; and

[67] Ordinance on limit values and alert thresholds for ozone in ambient air
[68] Ordinance No10 on the emission limit values (concentrations in waste gasses) of sulphur dioxide, nitrogen oxides and total dust, discharged to the atmosphere from large combustion plants (SG 93/2003),
[69] Ordinance No7 on emission limit values of volatile organic compounds emitted into the air due to the use of solvents in certain installations (SG 96/2003),
[70] Ordinance on the requirements to liquid fuels, terms, procedure and method of control, adopted by CM Decree No 156/15.7.2003 (SG 66/2003)
[71] Ordinance No16 on limitation of VOC emissions resulting from the storage, transportation, loading and unloading of petrol (SG 75/1999)
[72] (State Gazette No. 67/27.1999, effective 28.01.2000)
[73] No 6 on the Limit Values for Admissible Contents of Dangerous and Harmful Substances in the Waste Water Discharged in the Water Bodies
Promulgated (State Gazette No. 97/28.11.2000)
[74] Ordinance No 7 on the Terms and Procedure for Discharge of Industrial Waste Waters into Settlement Sewer Systems Promulgated (State Gazette No. 98/1.12.2000);
[75] Ordinance No 10 on Issuing Permits for Waste Water Discharge into Water Bodies and Setting Individual Emission Limit Values for Point Sources of Pollution (State Gazette No.66/27.07.2001, effective 27.07.2001).

- provision of data referring to the types and quantities of detrimental and hazardous substances that are used in their activities, as well as the method of their disposal or release.

Environmental Liability

Croatia: The Law on Environmental Protection[76] imposes liability for environmental damage on persons who, through action or inaction, cause environmental pollution on the bases of objective (causal) liability and fault-based liability. Those found liable must undertake and bear the expenses of all necessary measures for reducing environmental damage, preventing further damage or risk of damage, as well as for the improvement or restoration of the environmental state. [77]

Housing and construction

Croatia: Since April 2001, the Building Division of the Ministry of Environmental Protection and Physical Planning has been implementing a Sustainable Building Promotion and Encouragement Project, which recognises the value of sustainable development and seeks to harmonise economic and social concerns with environmental considerations. A major step towards sustainability in the building sector is construction waste management and recycling. A number of projects aimed at energy conservation and the use of renewable energy are currently under way. In addition, the Building Act Draft Bill currently under preparation envisages that an investor with building methods that are more environmentally acceptable than requested under law or common practice will be entitled to a reduction or remission of the administrative tax payment.[78]

3.2 Energy

Russian Federation: The Russian Energy Strategy prioritises:

- energy conservation practices encouraged by an increase in heat and electricity tariffs and elimination of cross-subsidisation;
- rational use of energy resources;
- minimisation of the influence of energy use on the environment.

Moldova: The priorities for the Medium-Term Development of the energy sector in Moldova include:

- increasing use of cleaner energy sources (e.g. natural gas);
- implementing modern heating systems in 19 cities;
- increasing the efficiency of the operation of all energy sectors;
- promoting energy conservation measures; and
- introducing energy taxation.

Macedonia: A long-term program for efficient energy use has been adopted, pursuant to the Law on Energy (adopted 1997), incorporating a Programme for Efficient Use of Energy to 2020. The main objectives of the Programme are to establish a fund for financial support and to prepare the Strategy for Energy Efficiency to 2020, which defines directions of policy for energy efficiency and has developed an action plan of concrete activities to be taken within this period.

[76] See Section V,

[77] See https://www.denix.osd.mil/denix/Public/Legislation/Over_Seas_Laws/croatia2.html

[78] See (http://www.mzopu.hr/okolis/html/EN/default.aspx?id=242)

In 2003, the Ministry initiated a campaign for the phasing out of leaded petrol developed a Master plan involving a wide range of stakeholders, including representatives from universities, government ministries and drivers' and automobile associations, producers, importers and distributors of fuel and NGOs. The Master Plan incorporates action to be taken for the phasing out of leaded petrol by 2006, involving, for example, tax incentives and lower price of unleaded petrol.

3.3 Agriculture and forestry

Moldova: The government's Programme for Processing New Lands and Increase Land Fertility for 2003-2010 works to address the problem of soil degradation through:

- anti-erosion protection measures for soils and rehabilitation of degraded land;
- pilot projects for rational use and irrigation of soils, including protection of wetlands;
- training of farmers and land owners in issues of soil processing and the use of mineral fertilisers and pesticides;
- planting forestry belts for agricultural land protection;
- rehabilitating communal pastures, and improving their management.

Croatia: The goals of the Strategy for Agriculture and Fisheries of the Republic of Croatia (adopted in 2002)[79] include rational use of natural resources and the development of sustainable agriculture, meaning ecological agriculture that shall reduce harm to the environment. The area of ecological agriculture is further regulated by the Act on Ecological Production of Agricultural Products and Foodstuffs[80], which places particular emphasis on the protection and preservation of cultural heritage, stimulating traditional activities and innovations, the sustainable use of natural resources and preservation and protection of nature and the environment.

3.4 Transport

Croatia: The Transport Development Strategy of the Republic of Croatia (OG No 139/99) includes in its goals: "optimum use of natural resources, upgrading of the living environment and preserving the ecological balance". It advocates the reduction in prices of public transport, the increase in charges on leaded fuel until it is banned from use, and the introduction of a used car and tire disposal deposit/refund system.

Ukraine : The Government of Ukraine adopted the Plan of measures on reduction of negative influence of automobile vehicles on the environment for 2004-2010. The plan stipulates development of new constructive decisions on reduction of emissions, harmonising national laws with international standards and also improvement of state standards on gasoline and fuel.

3.5 Tourism

Bulgaria: The National Eco-tourism Strategy was adopted in 2004 and outlines the development of eco-tourism in Bulgaria up to 2014. The Strategy establishes the four main objectives of eco-tourism, namely:

- conservation and preservation of natural and cultural heritage;
- eco-tourism business development;
- regional and local development; and
- co-ordination of policies, management and administration of the Strategy at a national level.

[79] OG No 89/2002
[80] OG No 12/2001, 14/2001

Republic of Moldova: The Sustainable Tourism Development project developed by the government of the Republic of Moldova together with UNDP provides the basis for tourism development in Moldova, and is implemented by the Strategy for Sustainable Tourism Development in the Republic of Moldova: 2003 – 2015
*(*http://www.turism.md/eng/about/). Activities include:

- analysis of the overall environmental situation in Moldova, considering the expected environmental impact of tourism and specification of ways to prevent possible environmental problems;
- promotion of eco-tourism through posters, calendars, and brochures;
- undertaking a study, preparing a programme and conducting training seminars on principles and techniques for the development of rural and eco-tourism, including studies of international experiences.

Republic of Montenegro (Serbia Montenegro): The Tourism Master Plan for Montenegro (2001) addresses a wide range of aspects of the tourism industry, including general infrastructure (transport, waste management, waste water treatment and water and power supply), and refers to the importance of natural resource conservation.
As part of the Master Plan, a strategic spatial plan has been drafted for the whole coast for the next twenty years. It incorporates concepts of environmental protection and includes guidelines for individual municipal plans and marine transportation. For example, in the wetland area of Ulcinj, the plan does not allow for any building that might impede international bird migration pathways.

3.6 Waste

Republic of Moldova: The objectives of the National Program for Household and Industrial Waste Management (2000), and the National Plan for the Implementation of the Stockholm Convention (2004) (www.moldovapops.md/?id=21&lang=eng) include the improvement of waste management and the reduction of the impact and quantities of substances and toxic waste. Measures advocated by these instruments include:

- repackaging, centralised storage and destruction of 1,712 tons of pesticides, including from the Persistent Organic Polluters (POP) class;
- inventory of POP and PCB, dismantling and decontamination of oils and equipment used for PCB containing substances;
- a feasibility and cost-efficiency study for upgrading waste disposal sites, the first steps being a change in the separate collection of waste and the building of a new waste processing plant, initially for Chisinau;
- developing and implementing pilot projects for waste processing in rural areas.

Bulgaria: The Law on Waste Management (adopted in 2003) establishes a new approach for the application of the "polluter pays" principle and lays down an opportunity for the producers and importers of goods to collect and recover waste (individually or through a collective system), instead of paying production-taxes for placing the products on the market. Requirements for the management of specific waste streams, i.e. packaging, waste oils, batteries and accumulators, end-of-life vehicles, etc., are introduced. Regulation setting requirements for the implementation of different recovery and disposal operations were adopted. Mechanisms for reporting were also established.