



WWF

REPORT

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# From crisis to opportunity:

## Five steps to sustainable European economies

### EXECUTIVE SUMMARY

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# FOREWORD

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## By Janez Potočnik



Janez Potočnik

*“The underlying belief that there’s a fundamental conflict between the economy and the environment is a false dichotomy.”*

The words “economy” and “ecology” share the same root in the Greek word *oikos*, which means “home”. As the names suggest, the two fields are intimately related; yet for too long, economists and conservationists have failed to recognize their essential interdependencies or find a common language to address them. The green economy agenda aims to bridge this gap. It addresses the central political and economic challenge – and opportunity – of our times: to eradicate poverty and improve well-being for all, while living within our ecological limits.

The current crisis is a unique opportunity to shift toward a new sustainable economic paradigm. However, economic stagnation and instability in many parts of the world, including in the EU, has sometimes strengthened resistance to environmental policies which some perceive to be holding back recovery. A business-as-usual recovery will only foster the next crisis – an environmental one. The underlying belief that there’s a fundamental conflict between the economy and the environment is a false dichotomy. There is an alternative approach which recognizes that both sustained human well-being and economic prosperity for all depend fundamentally on the health of the natural world.

The transition to future-oriented, sustainable economies is essential to maintain the conditions required for humanity to thrive – even, in some regions, to survive. The science tells us that we need nothing less than a major transformation of our economies, policies, technologies, and modes of production and consumption.

The European Union is ideally placed to lead this transformation, and will benefit enormously from doing so. This timely report points the way forward.

**Janez Potočnik,**  
UNEP Co-Chair of the International Resource Panel,  
former European Commissioner for Environment,  
former European Commissioner for Science and Research

# PREFACE

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## By Marco Lambertini



Marco Lambertini

*“In times of economic crisis, some see nature protection as a luxury. But it is the exact opposite.”*

In September 2014, the latest edition of the WWF Living Planet Report pointed that the Living Planet Index, which measures more than 10,000 representative populations of animals, has declined by 52% since 1970. To put it simply we have lost over half of the world’s wildlife in just 40 years. This is the barometer of what we are doing to our planet: taking more than ecosystems can replenish, depleting our natural capital and impacting nature’s crucial services.

But this is not just about wildlife: this is as much about our future. Our well-being, our economy and social stability depend on a healthy environment, a vibrant biological diversity, productive ecosystems. We have to decouple human development and environmental degradation. We need to close this destructive chapter in our history, and build a future where people can live and prosper in harmony with nature.

In times of economic and financial crisis where inequalities are rising, some see nature protection as a luxury. But it is the exact opposite: thriving ecosystems are the main wealth of the poorest, whether providing water to drink, fish to eat, rain that grows crops; ecosystems are the foundation for livelihoods and jobs for hundreds of millions. More developed economies are no less dependent on a healthy environment: in Europe as well, the numbers of jobs provided directly and indirectly by biodiversity and ecosystem services is huge, at 14.6 million according to studies. Surely something to treasure – particularly in Europe’s current unemployment crisis.

Europe, alongside all developed economies, has an unsustainably high ecological footprint – consuming annually the resources of 2.6 planets, almost twice the world average. This is both unsustainable and unjust. Making the European economy – the world’s biggest – more sustainable will massively reduce the economic pressure on threatened ecosystems locally and globally, as far as the Amazon, the Congo basin, all the world’s oceans.

Things look very worrying, but it is possible to feel positive about the future. The European people have supported the development of some of the world’s most innovative and effective environmental legislation; public awareness and commitment towards the environment have exponentially grown since the establishment of the European Union. Europe has a unique mix of awareness, knowledge, capacity and huge potential for change. It has the power to adopt and mainstream solutions that will safeguard our planet and our future, and lead the global economic revolution towards truly sustainable development. Now is high time for bold European action: this new WWF report provides a concrete and detailed roadmap for this generation of European policy-makers, not the next one, to embrace it with passion and determination. WWF will encourage this much-needed shift and stand firm to make it happen.

**Marco Lambertini,**  
Director General, WWF International

# EXECUTIVE SUMMARY

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This report presents WWF's analysis and recommendations on why and how Europe<sup>1</sup> should shift to sustainable economies, boldly and rapidly. It is mainly addressed to the EU institutions, notably the Parliament and the Commission<sup>2</sup> as well as the European Council. WWF puts forward this publication with an ambitious double aim: to show why a new economic path towards sustainability is both a necessity and a huge opportunity for Europe, and to present a concrete and ambitious policy roadmap to EU decision-makers.

## THE CHALLENGE: BUSINESS-AS-USUAL IS NOT AN OPTION ANYMORE

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*“Contrary to the conventional wisdom, it is business as usual that is the utopian fantasy: forging a new vision is the pragmatic necessity.”*

Paul Raskin,  
Environmentalist,  
Founding Director  
of the Tellus Institute.

### 1. The disastrous results of our business-as-usual economy

Evidence suggests that the exceptional economic and financial crisis Europe faces is a systemic failure of our development model. It includes the rapid depletion of our natural capital, continuing excessive footprint due to overconsumption, growing resource dependency, and dire socio-economic and financial turbulence aggravating huge inequalities. Our European economy is still fuelling future crises that will be more damaging, until we risk living in a state of permanent crisis.

Environmental destruction is resulting in skyrocketing costs for our economy. In fact, **strong evidence warns that we cannot afford the cost of inaction.** For Lord Stern, “Delaying action on climate change is a false economy.”<sup>3</sup> While significant investment is required to shift to sustainable economies, the cost of inaction is much higher.

### The EU political drift: Despite evidence, EU “post-crisis” policies are still following the wrong path

The European path in the last five years showed no significant change. Some decision-makers show strong reluctance to move toward sustainable economies despite the huge potential benefits. **Voices arguing that environmental concerns should be delayed until after the recovery are wrong for three major reasons:**

- Delays in shifting toward a sustainable economy will entail higher costs and greater risks, due to higher environmental damages, infrastructure lock-in and delayed innovation.

- The “grow dirty and clean up later” argument misses the fact that there are large political opportunity costs involved in delaying the transition. The crises are giving the urgency and political feasibility to difficult but necessary reforms for long-term European well-being.
- Reforms for a transition towards a sustainable economy, such as environmental fiscal reform, ending harmful subsidies, investment policies and innovation, can complement and support current efforts to rebuild European economic stability.

## 2. What are the systemic failures behind the crisis?

Schematically, it is possible to structure the flaws of our market-based economic system around three main issues:

- **The failure to properly measure and value what counts** – by using a short-sighted lead indicator and failing to value ecosystems services, worth almost twice global GDP according to some studies.
- **The failure to ensure prices reflect full costs** – partly based on the former failure. Environmental and social “externalities” – costs not reflected in market prices – are huge, evaluated at 13% of the 2009 world GDP. The flawed, artificially low prices of products and services with negative externalities are massively distorting competition with and impeding the development of innovative, cleaner alternatives. Environmentally harmful subsidies are another major area of concern.
- **The failure to consider limitations and boundaries to the market** and to reflect them properly through regulation – by ignoring the limits of our planet (resource scarcity) and failing to end “casino finance”.<sup>4</sup>

# THE WAY FORWARD: A STEP CHANGE TO BUILD SUSTAINABLE EUROPEAN ECONOMIES

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## 1. Greening our economies: a new path for better well-being

A “green economy” is a realistic alternative. Momentum is growing, with the Organisation for Economic Co-operation and Development (OECD), United Nations Environment Programme (UNEP), World Bank, other institutions and 65 countries (according to the Green Economy Coalition) at least partly engaged. Europe needs a project with a new vision that can help to reconnect European policy-makers and citizens behind a common goal. Creating sustainable economies in Europe that improve citizens’ well-being has the potential to become that project.

**WWF defines European sustainable economies as resilient economies that provide a better quality of life for all within the ecological limits of the planet. Sustainable economies are the means to achieve equitable and sustainable development.**

## Most effective policies to shift toward sustainable economies

### Measure what counts

- Measure what counts with “beyond GDP” indicators
- Assess and account for natural capital

### Set up prices that reflect full costs

- Make pollution and resource-depleting activities an expensive business
- Remove environmentally harmful subsidies<sup>5</sup>

### Regulate when the market is ineffective or insufficient

- Devise proactive and effective regulations and standards
- Mainstream eco-conditionalities into public spending and infrastructure development

### Set up complementary support measures

- Foster eco-innovation
- Increase private investment in green economic sectors
- Improve information disclosure to empower consumers

### Maximize policy synergies and multiple benefits

## 2. The enormous benefits for Europe

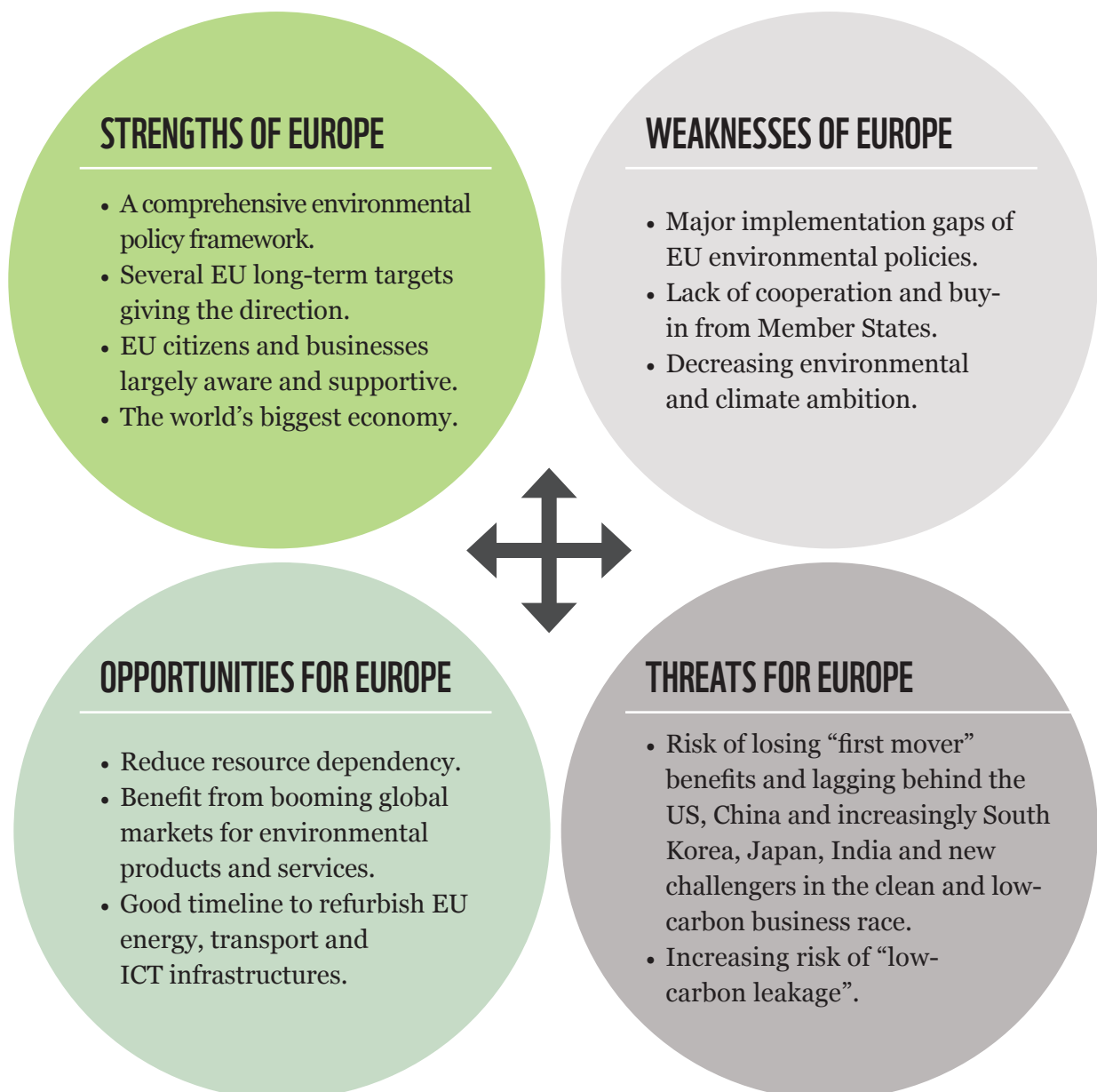
Ample evidence shows that a rapid transition to sustainable European economies has the potential to deliver huge and multiple benefits:

- **Environmental benefits:** enormous reductions of pollution, such as greenhouse-gas emissions, and much better conservation (and restoration) of ecosystems can be expected.
- **Jobs benefits:** According to the European Commission “*up to 20 million jobs could be created between now and 2020 in the green economy*”, which is one of the three most promising sectors identified by the Commission for job creation. Across Europe, low-carbon sector jobs have grown significantly, even in those countries experiencing severe recession like Spain.
- **Economic benefits:** Four types of economic benefits can be identified: cutting the cost of inputs; improving competitiveness of EU industry; supporting fiscal consolidation; and increasing security, independency and resilience. For the OECD, “*acting now is not only environmentally rational, it is also economically rational*”. Studies find that resource efficiency could save EU industry up to €630 billion per year. Evidence shows that environmental innovation drives competitiveness, environmental regulation can boost exports by developing new markets, and environmental fiscal reform has little or no negative impact.

- **Social and health benefits:** For UNEP, *“The greening of economies is (...) a net generator of decent jobs, and it is also a vital strategy for the elimination of persistent poverty.”* Reducing pollution (notably air pollution) will bring significant health benefits.
- **Global benefits:** On a finite planet, reducing the EU’s excessive ecological footprint will reduce the economic pressure on global resources and threatened ecosystems and show leadership.

### 3. Why Europe should rapidly shift to sustainable economies

In addition to its moral and legal obligation, the EU – more than any other major region in the world –has an intrinsic interest to rapidly go green.





# THE RECOMMENDATIONS: FIVE POLICY ACTIONS FOR SUSTAINABLE ECONOMIES IN EUROPE

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These recommendations are mainly focused toward EU institutions in the next five years – the European Parliament and Commission as well as the European Council. WWF identifies five high-level priorities:

## **Priority 1. Set a new strategic vision for Europe from now to 2050**

A renewed strategic vision for Europe and a step change in political will are essential. To ensure clarity, such a strategic vision must be translated into several complementary elements:

- **An overarching 2050 goal** embedded in an umbrella economic strategy (the Europe 2020 strategy – currently being reviewed – and the future Europe 2030 strategy);
- **A set of four key enabling frameworks** to foster the economic transition towards sustainable economies;
- **Five cross-cutting priority policies** that complement the four enabling frameworks, and aim to incentivize and accelerate the transition towards sustainable economies.

## **Priority 2. Design an ambitious enabling framework for climate and energy by 2030**

The EU has already built a climate and energy framework for 2020. It is now moving to a 2030 framework, which most importantly must put the EU on a stable and secure path toward the 2050 targets:

- Achieve the 20% energy-saving target by 2020;
- Maximize the flexibility left by the Council to get closer to the following targets for 2030: 40% energy savings, 45% renewable energy, 55% CO<sub>2</sub> reduction;
- Implement complementary demands for 2030: fix the carbon market failures permanently, build a pan-European electricity grid and set up binding sustainability criteria for renewables.

## **Priority 3. Complete an enabling framework for resource efficiency and management**

The EU still lacks a fully integrated framework for resource use that would link the different parts coherently under an umbrella approach with a few flagship targets:

- Set a binding and ambitious resource efficiency headline target by 2030, use a set of relevant indicators for measuring European resource use and finalize the framework for ecosystem valuation and accounting;
- Protect our natural capital: halt the loss of nature and secure clean and healthy waters;
- Produce sustainably: recover fish stocks, ensure a sustainable European agriculture and transform the EU economy into a circular economy;
- Consume natural resources sustainably: foster more sustainable and healthy consumption, stop illegal timber trade and reduce EU impact on deforestation and end illegal fishing.

#### **Priority 4. Build a supportive fiscal and financial framework**

Despite the post-financial-crisis regulatory effort, the EU has not yet built a comprehensive and integrated fiscal and financial framework enabling the achievement of policy targets through adequate financial support. An integrated framework is needed to progressively mobilize financial support for sustainable economic activities and disincentivize the support of harmful activities:

- Eliminate environmentally harmful subsidies;
- Environmental tax reform: tax the bads not the goods;
- Ensure better spending of the EU budget;
- Refocus public finance on sustainable economies;
- Make private finance support a real and sustainable economy.

#### **Priority 5. Achieve a renewed international leadership**

EU domestic action to rapidly shift to sustainable economies should lead to a renewed international leadership from Europe articulated around four areas:

- Support a new global vision with post-2015 Sustainable Development Goals;
- Scale up public financing for sustainable development and global public goods;
- Improve Policy Coherence for Development;
- Ensure corporate reporting and accountability.

## Building sustainable economies in Europe in 5 steps

EU economic policy overarching framework		
EU long-term goal	Maximize the sustainable well-being of Europe's citizens	
2050 result	Europe is the first global leader to have fully achieved its transition to sustainable economies	
Overarching economic strategy		
2020 and 2030 targets	Should notably include the framework's targets below	
2050 roadmap	To be developed	
Instruments	EU Semester	
Cross-cutting policies		
What?	Aim	Instrument
Eco-innovation policy	Fostering eco-innovation	Horizon 2020 research fund
Green job policy	Re-skilling, up-skilling people	EU budget notably European Social Fund
Green public procurement policy	2020 target: 100% GPP achieved	Common sectoral criteria
Beyond GDP measurement policy	Rebalance environmental, social, economic indicators	Beyond GDP initiative
Empowering consumers policy	Provide information helping to shift consumer behaviour	Eco-labelling, smart metering
Climate change and energy framework		
2020 targets	20-20-20	
2030 targets	55% CO2 cut 40% energy efficiency 45% renewable energy	
2050 targets	95% CO2 cut 100% renewable energy	
2050 roadmap	Low carbon/ energy/ transport roadmaps	
Instruments	Energy efficiency and renewables directives Emission trading system Emission performance standard, etc.	
Resource efficiency and management framework		
2020 targets	End EU biodiversity loss Accounting of ecosystem services	
2030 targets	Significant cut of EU resource consumption Restoration of a significant amount of ecosystems	
2050 targets	95% CO2 cut 100% renewable energy	
2050 roadmap	Resource efficiency roadmap	
Instruments	Key environmental directives, circular economy package, etc.	
	<b>Supports</b>	
Fiscal and financial framework		
2020 targets	End of environmentally harmful subsidies	
2030 targets	Public and private funding for sustainable economies (measurable targets to be defined)	
2050 roadmap	To be realized/ some financial elements in low carbon, energy, transport, resource-efficiency roadmaps	
Instruments	To be defined	
		<b>Policy Coherence for Development (ensuring consistency)</b>
	<b>Drives</b>	
International leadership		
Post-2015 targets	Sustainable Development Goals	
2050 roadmap	To be done in partnership with relevant international organizations and other stakeholders	
Instruments	Policy Coherence for Development/ etc.	

100%  
RECYCLED



## €310 BILLION

EU businesses could save €270-310 billion per year in the cost of materials by adopting more resource efficient processes.

Source: McKinsey

## 20 MILLION

Up to 20 million jobs could be created or maintained between now and 2020 in the transition to European sustainable economies.

Source: European Commission



1%

Providing the billion people who currently live in extreme poverty with essential material needs would require only 1% of the resources we currently use globally.

Source: Oxfam

18%

The annual cost of environmental degradation from human activity could rise to 18% of global GDP in 2050 if no action is taken.

Source: Trucost/UNEP



### Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

[www.wwf.eu](http://www.wwf.eu)