WIRTSCHAFTSKAMMER ÖSTERREICH

Resource Efficiency Indicators

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WKO position

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1) What are the key issues that need to be addressed by indicators to support resource policy? (10-4000 characters)

General statement of WKO

Resource efficiency automatically included in business objectives. When we talk about mineral resources or waste recycling we have to have in mind, that the self-interest of industry and businesses is very strong. Competition is already also about resources, and therefore saving them is included into industry strategies. Therefore our red line is to basically let these mechanisms work offering framework conditions to stay and grow in Europe.

Comparability nearly zero. The Commission – throughout her flagship initiatives, roadmaps and this consultation – wants give priority to resource efficiency. Efficiency means, that an indicator has to be established allowing for benchmarking and comparison (also between Member States). It should be designed to really measure efficiency and NOT consumption, which is the case for the lead indicator that the Commission has presented for discussion. Low resource consumption by Member States does not necessarily represent high efficiency in resources nor does it implicate comparability between Member States. As the indicators are influenced e.g. by industry structure, climate etc in the specific country, they cannot show which Member State is most resource efficient – e.g. Member States with industries such as ferrous and non-ferrous metals and mining will consume more raw material and energy and also generate more waste than Member States with a high share of economies based on services.

No new taxes and caps. One question (and fear) arising in some industry sectors is: What is the objective of this exercise? Targets? Legislation? Taxes? Punishment and resource limitations for "bad" sectors? We think that economic activity should not be punished by resource efficiency policies. Neither new taxes nor absolute caps on certain resources are the right solution for Europe – especially as "stand-alone" in a global context. If indicators and - finally - targets would result into an environmental contest, we think that f.e. very relevant differences of Member States such as the degree of industrialization and weather conditions would not be pictured in the current set of discussed indicators at all.

Added value of strategy unclear. The EU has already agreed to progress towards "smart, sustainable and inclusive growth" (EU2020 Strategy). The result should be an economy optimizing its use of resources and resulting in improved employment, productivity and social cohesion. The chosen indicators should measure the general progress towards that. Mere limitations as well as setting environmental taxes are no appropriate means. Several issues are to be questioned: Why three levels of indicators? What about the real relevance of policies and indicators on resource efficiency, such as particulate matter or environmental taxes? And finally: What is already covered by existing or ongoing strategies or legislative action, what is really an added value of this strategy?

LCA approach would be OK. With regard on the sustainable use of resources, it is the task of policies to support every activity that can contribute to resource efficiency. In the opposite, policies should not intervene into the economic sound competition of materials and industrial sectors. Eco-balances that take into account the production, the whole lifetime of a material or product and all life-cycles of a material should be supported, as they automatically will support resource efficiency within an integrated approach.

Resource capacity, time and recyclability key elements of resource efficiency indicators. These are three very important aspects as amongst others:

- **"capacity of the respective resource":** The use of resource as such is not a sufficient information on the sustainability of a resource-using activity. To become meaningful in this sense, the resource-use must be compared to the capacity of the respective resource. This is at least important for water and land (tier 3) as well as for tier 2 and tier 1.

- **"service period/durability":** materials used have to be distinguished in terms of the time they are in use before they have to be substituted. E.g. in case of build up of infrastructure a high material use in a given period may point to a large scale resource consumption, but if the material used stays in service for a long time, it could be followed by a drop in consumption due to the durability of the material used.

- **"recyclability":** materials differ in their ability to be re-used or recycled. Aggregated use figures must eventually be analysed for this aspect. This is however very difficult, because raw materials extracted from nature (basic input for e.g. DMI, DMC, RMC) very seldom can be recycled as such but only the industrial material extracted from these. This has to be taken into account.

Key issues

1. **EU as a business location:** Our key priority of the moment is economic growth followed by securing Europe as a business location by avoiding carbon leakage (or even "environmental" or "resource relevant" leakage). Planning security and international competitiveness are the key criteria for both growth and an attractive EU area as a business location. This roadmap as well as a number of indicators are not compatible with this strategy (the resource efficiency roadmap) as well as its overarching EU2020 strategy.
2. **Indicators basis for discussion but not more:** Indicators should be developed and understood as a set of tools to get a better "holistic" understanding of the macro- and micro-economic processes related to resource-efficiency in the MS and the EU. On the one hand, it can´t be decided easily, whether all indicators and weightings represent the reality adequately. On the other hand, Member States show very different degrees of industrialization, different climatic conditions or even consumer habits etc. Therefore it is politically not meaningful to compare MS on the basis of complex or "half-baked" indicators and thus to create an "environmental contest". The set of indicators should only be used to understand the individual shortcomings and potentials of MS on a scientifically based process.
3. **Incentives or measures on this basis are to be preferred** before quantitative targets. If targets are unavoidable, relative targets are to be preferred before absolute targets.

Relative targets means f.e. a relation to GDP (rather than the widespread use of "per capita" indicators).

4. **If talking about indicators:** look for indicators, which are already there to avoid extra data generation effort
5. **Define indicators clearly.** Considering the roadmap f.e. the food related resource input – which is indicated to be up to a 20% reduction in the roadmap – is not defined. Therefore the food sector (consisting of several sub-sectors) cannot estimate, if this reduction is realistic or not.
6. **Possible targets (based on indicators) have to be examined very carefully** on their plausibility before being determined in ordinary legislative procedure involving all relevant stakeholders.
7. **When considering sectors** we think that the eco-innovation approach is the proper one, which means: there is not a green economy world and therefore the rest is not non-green, there is a synergy of both. For example you cannot get a solar panel without steel – we need a continuing greening of both classical tech sector as well as green tech (f.e. considering the critical subject of biofuels causing a European strategic turnaround).

2) Are there other indicators that we should be using to monitor the economic and environmental impacts of resource efficiency policies by 2013 and for the future? More specifically:
a) Is the proposed lead indicator, GDP/DMC an appropriate indicator to measure resource efficiency? Are there any better alternatives that should be considered?

The current proposed lead indicator GDP/DMC is not appropriate to measure resource efficiency in a proper way. It penalizes Member States with a high share of industrial production, whereas Member States with a low share of production do benefit from such a lead indicator disproportionately high. As an alternative we suggest a "life cycle approach", that comprises quantity of resources available, rate of consumption, use/treatment of the product/waste etc.

The import-export problem of products and raw materials is not solved by this indicator: exports are counting, imports not. In other words, DMC is giving incentives to unwelcome de-localisation of environmental and social impacts and minimal inputs rather than optimal use of resources or low-carbon solutions (de-materialisation instead of resource efficiency) and keeping key business sectors within Europe.

Decoupling not reflected in DMC: It does not directly measure impact decoupling, and tells us little about the environmental pressure that economic activity exerts: The conditions in countries are diverse and the methodology does not take this into account. The proposed lead indicator ignores the structural differences between countries, giving advantage to those countries that focus on services and imports of manufactured goods.

Properties and benefits not reflected. DMC does not reflect the different properties of different materials. It incorrectly counts materials in constant use as being "consumed". E.g. rather than being depleted, the majority of mineral resources are used to continuously serve valuable purposes in the built environment. It therefore fails to

measure the direct environmental and social benefits that these materials deliver during use – perhaps even being re-used or recycled for further value at the end-of-first-life.

Very little input for setting targets. Generally it has to be stated that neither the tier 1 nor the tier 2 indicators are applicable to set targets. Tier 3 indicators only very punctually are fit for that purpose. Especially for tier 1 and tier 2 indicators it is true that a higher value does not necessarily reflect less resource efficiency. The aggregation of these indicators is too high to allow for conclusions. Furthermore an approach more towards sustainable development would include classical social and economic indicators, too, such as: economic growth, (un)employment, general tax rate, export intensity etc.

b) Are the appropriate indicators included in the dashboard of macro-indicators? Are there any alternatives that should be considered?

Again the question about ongoing or concluded EU action:

Water as a resource very individual in Member States. Important question on the water indicator: Is the EU water blueprint included here? Not one size fits all – this is very relevant for water resource indicators. For example water scarcity is very different from MS to MS and therefore not to be handled by a uniform indicator.

CO2 already reflected in existing policies. CO2 reduction has been (and is being) implemented into a rich regulatory framework in climate policy. Therefore the added value of making it a resource efficiency indicator is to be questioned. But if it is being considered here, we would need a relative approach: Referring to our remarks to question 1 (preference for relative versus absolute indicators) we would therefore prefer a GHG emissions indicator related to the GDP (f.e. tons of CO2 per 1 million euro GDP) instead of absolute figures. This would better reflect the relation between GHG emissions and the added value of an economy.

c) Are the appropriate indicators included in the third tier of thematic indicators? Are there any other indicators that should be considered?

Generally waste has to be defined as a resource and therefore we think, that end-of-waste criteria have to be supported on EU level to get materials out of the waste regime and back in material circulation.

Total waste generation is an indicator also highly affected by industrial structure and especially by the different legal definitions of “waste” in the Member States. Therefore it should not be taken into account.

Municipal waste is related here to “per capita”. We think that an indicator such as “municipal waste per 1000 euro GDP” would much better express the context of economic activity and waste generation.

“Environmental taxes” is a rather unclear definition and therefore fairly differently treated in the Member States as well as its context to resource efficiency. Why should the

share of these taxes related to the overall tax revenue of a MS be relevant for resource efficiency?

Air emission indicators are being dealt with in many EU policies (such as CAFE, NEC, EURO standards for vehicles, Industry Emissions directive etc. etc.). The future revision of the air policy to be expected next year should not be anticipated by these indicators. We cannot see a sufficiently strong connection of air policy and resource efficiency. Especially PM emissions are of course highly relevant for human health, but what is their effect on resource efficiency? The same goes for the other indicator on population exposed to PM.

'Energy consumption per square meter' is very much connected to the weather and its extremes in the single Member States. These are very different in the EU area. Therefore this indicator is to be substituted by the 'annual energy performance of a building' (see recital 9 in the buildings efficiency directive) which includes not just heating but the general energy efficiency. The thermal insulation rate for buildings as described in paragraph 3 (below) could better show the dynamics of improving the buildings' efficiency.

d) Are the appropriate indicators included in the Scoreboard? Are there any other indicators that should be considered?

See our comments to a), b) and c) as well as next paragraph 3).
A Resource Efficient Europe should include investment in sustainable mineral supply and the set of indicators within the theme "Natural Capital and Ecosystem Services" should reflect this. Furthermore Europe should enable continuing mineral exploration creating and keeping jobs in Europe.

Furthermore the EU Raw Materials Supply Group has proposed two indicators of progress in implementing the Raw Materials Initiative, which lend themselves to inclusion in the set of thematic indicators of resource efficiency. The following should be added to the Scoreboard under the theme "Natural Capital and Ecosystem Services":

<u>New indicators on sustainable mineral supply</u>
3.4.1 The quantity and importance of mineral resources within the EU (using a common terminology and statistical approach to be developed by the EU Raw Materials Supply Group).
3.4.2 Percentage of Member States with Mineral Acts covering all minerals identified in 3.4.1 and guaranteeing legal and planning certainty.

3) Which indicators would be best suited for potentially setting targets, by 2013 and for the future?

We believe that target setting is not an appropriate way of making use of a set of indicators which are each non-perfect. In any case, a series of pilot exercises should be undertaken to quantify the proposed indicators for at least the years 2001 and 2010, to understand their workability, their added value, and how to ensure they successfully feed into a structured decision making process at EU level beyond what can be achieved at the level of Member States.

Energy efficiency of buildings – thermal insulation rate. As stated above: Measures are better than targets. Measures to encourage thermal insulation of buildings could be: subsidies on national as well as on EU level, release of obligations or options for credits (ETS certificates, release of certain obligations f.e. related to IED, energy efficiency directive etc.). The subsequent indicator would be the energy efficiency of buildings and its yearly rate of refurbishment. A 3% rate as a target for all buildings (a target of 3% for buildings of central governments has been decided recently in the energy efficiency directive in the EP vote of September 11, 2012) would be an ambitious rate which f.e. has been decided to be achieved in Austria by 2020 in its Energy Strategy based on the 20/20/20 targets.

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