

## Chapter 4 : Priorities in EU Energy Policy since 1995

### 4.1 Introduction

The earlier EECCS report drew attention to the fundamental tension between sustainable development interpreted as an environmental vision and sustainable development as sustained economic growth. It pointed out that this tension between economic and environmental priorities ran right through the heart of EU policy, and was clearly visible in the energy sector. The analysis of the state of the environment indicated a heavily imbalance towards economic goals which had caused severe ecological damage now needed to be redressed in favour of the environment. In our meetings with EC Commissioners and officials, it appeared that there was a greater preparedness to respond in the area of transport than of energy, consistent with a greater connection of energy with fundamental notions of EU economic policy than with EU environmental policy. In this chapter we review what the EU has done since 1995 to answer these concerns in the crucial area of energy policy, as reflected in the various published documents. (refs.1-6)<sup>36 37 38 39 40 41</sup> Particular attention is paid to the overall Energy Policy White Paper and the Commission's communication setting out the basis for the EU negotiating position on climate change for the December 1997 Conference of the Parties to the UN Climate Change Convention in Kyoto.

### 4.2 Our Priorities for a Sustainable Energy Policy for Europe

#### 4.2.1 Climate Change

In our 1995 report, we identified climate change as perhaps the largest single environmental concern in the energy sector, but with acid, organic and particulate emissions a close second. Since the report was written, the IPCC concluded that the balance of scientific probability has moved to a recognition that human activity is noticeably adding to global warming. The EU has acknowledged this in many of its official documents. Most of our member churches took active part in the petition campaign of the World Council of Churches, whose results were presented to the UN negotiating team in Bonn in March 1997. This urged the governments of industrialised nations to take much stronger measures to combat global warming, in particular in the reduction targets for greenhouse gases after the year 2000, out of concern not only for the environment but also the nations and communities who seem inevitably set to suffer the worst consequences, but have the least resources to respond.

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<sup>36</sup> EC White paper "An Energy Policy of the European Union", COM(95) 682 final, January 1999

<sup>37</sup> EC DG XVII Report "European Energy to 2020", EC, Spring 1996, Energy in Europe series

<sup>38</sup> "Climate Change - the EU Approach to Kyoto" COM(97)481 final, 1 October 1999

<sup>39</sup> "The Energy Dimension of Climate Change" COM(97)196 final, 14 May 1999

<sup>40</sup> "Energy for the Future: Renewable Sources of Energy - White Paper for a Community Strategy and Action Plan, COM(97) 599 final.

<sup>41</sup> "Energy for the Future: Renewable Sources of Energy", White Paper for a Community Strategy and Action Plan, COM(97) 599 final, 26 November 1997.

## **4.2.2 Unsustainable Consumption**

We found that the root cause was in the existing levels of energy consumption, especially by fossil fuels. Put simply, the present levels represent an unacceptable stewardship of God's creation. The scale of energy-related emissions from Europe, North America and other a few major industrialised nations constitutes a threat to the health and well being of present peoples, future generations and our fellow creatures. This is made worse by the trend of industrialisation of developing countries, which looks set to multiply global emissions to a much greater degree. Whereas it would be unfair to deny third countries the opportunity for development, if all reached comparable per capita emissions as the developed world it would surely create an environment catastrophe. These home truths mean that a re-orientation of policy was called for.

## **4.2.3 Fossil Fuels**

Since fossil fuels are by far the dominant energy source and the cause of most of the environmental damage, a progressive policy of radical reduction is required in the use of fossil fuel based energy across the EU. This has two parallel parts. Energy efficiency and energy use measures should be greatly increased to reduce the absolute energy consumption and demand, and a progressive radical shift in fuel sources away from fossil fuels. In the latter case, an obvious could be identified of fuel switching in electricity generation. Whereas it is hard to find ready alternatives to fossil fuels in areas like space heating and transport fuels, Europe has both the resources and the technology already gives it the means to move away from fossil fuel electricity generation to renewable and/or nuclear energy.

## **4.2.4 Renewable Energies and Nuclear Power**

A high priority is unquestionably to develop the use of Europe's indigenous renewable energy resources so that these take over an increasingly large share of our electricity generation. We were realistic, however, about the rate at which this could be done, bearing in mind the current state of many of these technologies, the large infrastructural changes which would be needed, but above all the barrier presented by economic assumptions in the present fuel supply system which are structured to favour fossil fuels. Our report was equivocal on the future of nuclear power, reflecting the divided viewpoints amongst the churches. We acknowledged the concerns of many regarding potential accidents and long-lived radioactive waste disposal, but also pointed out the substantial role of nuclear power in many countries in keeping carbon dioxide emissions much lower than they would otherwise be. As long as no other large scale base load technology is available as an alternative to fossil fuels, the effect of phasing our nuclear power could be to increase fossil fuel emissions, since the most likely alternative to nuclear generation would at present not be renewable energies but gas. Thus there was a choice of environmental priorities between reducing nuclear power and reducing fossil fuels. One could not have both at once.

## **4.2.5 Costing the Earth**

Notwithstanding all the benefits it has brought, the economic system has failed in so far as it has allowed or even encouraged the levels of environmental damage we now see. We no longer have the luxury of costing the environmental element to zero, even if it was ever justified. The present imbalances in care for the environment will continue to have physical, social and ecological effects over long timescales. To redress such imbalances requires more than a small economic correction in the way energy prices are calculated. It requires a positive weighting over sufficiently long time scale that will bring the environmental damage back under control, particularly in terms of global warming. If adding environmental externalities to fossil fuel prices is not sufficient to do this - and at this point no one knows whether this will be so - strong additional policy measures needed.

## **4.3 End of Term Assessment on EU Energy Policy - Unsatisfactory**

### **4.3.1 Key EU Energy Results 1995-8**

When considered overall, little concrete progress towards sustainable energy has been made over these three or four years. Firstly, despite the general agreement that these are win-win situations, much of the potential of energy efficiency measures has still not been realised. Secondly, oil continues to be the dominant technology, with no real sign of change, especially as prices have reached new lows, reducing the incentive to redress the gross imbalances we have identified. Thirdly, although renewables have increased their share a little, the major energy shift has been not towards them, but to gas. This simply switches from one largely non-indigenous fossil fuel to another. While it offers some improvement compared with burning coal, this is strictly relative since it is made instead of the much greater reduction had the switch been to renewables. Using more gas does not adequately address the urgent requirement to reduce dependence on fossil fuels.

The EU policy documents we have examined have not produced the necessary changes when it has really mattered. For example, Despite the rhetoric surrounding the declared EU position going into the December 1997 Kyoto climate change negotiations on greenhouse gas reductions, it seems that most member states are content to sit back on the much less stringent reductions agreed in Kyoto agreement, and even to relax these further by emissions trading and technology transfer. Whereas the economic and social consequences of continuing present levels of transport emissions seem to be resulting in significant policy changes, the increasing impression is of a reluctance to do what is morally necessary when it comes to energy policy.

### **4.3.2 Conflicting Criteria hold back a Sustainable Energy Policy**

Why is this? At the heart of the answer lies a conflict in the starting priorities which are applied to energy policy. In the previous report we recognised the importance of asking what are the key criteria in a sustainable energy policy, because to develop such a policy depends greatly on which criteria we choose as our priorities. We identified a wide variety of criteria which different groups regard as important for

setting an energy policy, consciously or unconsciously, each of which focuses on the different contexts, priorities and views of the world. These are summarised four headings - strategic, economic, environment and safety, and social impact.

- **Strategic**

Maintaining a secure and diverse energy supply

Using indigenous energy resources/minimising transport requirement

Using renewable energy resources

Reducing Energy Use

- **Economic**

Maintaining economic health and competitiveness - low energy prices

Using the cheapest energy resources

- **Environmental/Safety**

Minimising environmental impacts

Minimising health and safety impacts

Taxing the most damaging resources to subsidise the least damaging

- **Social Impact**

Fair sharing of both local and national benefits and costs/risks of the energy resource

Preventing or reducing unemployment.

It is what the EU does with the balance of criteria such as these that will determine whether it achieves a sustainable energy policy, or whether its aspirations will be just so many words. In examining the documents, a consistent thread running through them all was a reluctance of the EU to allow its basic economic orientation to be challenged by the imperative to reverse our damage to God's creation and to care for those who stand to suffer from it.

#### **4.4 White Paper on Energy Policy - A Clash of Criteria**

In the White Paper "An Energy Policy for the EU" (ref.1) the conflict of criteria is put to the test. What emerges is a confusing picture, resembling a patchwork quilt of different perspectives, presumably reflecting the many different sections who contributed to it. Thus the report's introduction declares:

"Energy policy must form part of the general aims of the Community's economic policy based on market integration, deregulation, limiting public intervention to what is strictly necessary in order to safeguard the public interest and welfare, sustainable development, consumer protection and economic and social cohesion. However, beyond those general aims energy policy must pursue aims that reconcile competitiveness, security of supplies and protection of the environment while bearing in mind that the Union's central concerns are on the one hand job creation and the quest for greater efficiency in the general business environment that also includes the organisation of energy systems and on the other hand the protection of the environment." (para 5)

This is a fine example of "Eurospeak", in that it flags up all the right buzz words, so that everyone can feel that their concerns are seen as important. It can be read as all things to all people. At any given point one can see strong cases argued for each of these criteria. What is not so clear is how these conflicting and possibly even

irreconcilable aspirations are all going to be fulfilled simultaneously in one energy policy. When the crucial policy questions are to be taken what become as the priority criteria?

The EU recognises the problem of competing criteria, but in the crucial section (para 4) of the report where it assesses policy priorities, the response is disappointing. It seems to put its weight behind the institutional obligations, ahead of ecological imperatives.

"Energy policy like all Community actions, will ultimately be judged on the extent to which it contributes to the central objectives of the Treaties, in particular market integration, sustainable economic growth, job creation and prosperity for its citizens."

It seems significant that no mention is made here of the people of Europe judging the energy policy against the Community's obligation towards the environment.

Three main criteria of an energy policy are identified. These are overall competitiveness, security of energy supply, environmental protection. The White Paper notes that, "... sometimes a choice has to be made on the relative weight to be given to these respective policy objectives." (paras 46-47) It emerges that competitiveness and security of energy supply are seen as the *leading* priorities for the EU, to which environment is subservient. For instance, despite the fact that the low cost of energy is one of the reasons we are so profligate in over-consumption, there is a repeated insistence (para 12) that low energy costs are all important for "lowering production costs" and "progress towards economic and monetary union". The strong impression is that there are some sacred economic cows which must not be touched by mere environmental considerations. It is probably fair to say that in the dominant philosophy, little has really changed - environment is having to fight hard for a corner against other priorities. We examine below some of the conflicts.

#### **4.4.1 Conflict between Competition and the Environment**

Throughout the report, two factors are upheld as of great importance - the effect of energy policy on the competitiveness of industry, and the ability of European energy suppliers to compete on the global market. In para 13, the report confidently declares that:

"the pursuit of competitiveness and environmental protection should be complementary and should not create any major tensions".

But when the question is explored further under "Guidelines for Energy Policy Implementation", however, a rather different picture of this complementarity emerges.

"In such a context, environmental goals should be achieved through measures which do not impact on industrial competitiveness." (para 48)

This is a key paragraph in the overall philosophy. Environmental protection is evaluated only as an economic influence, where it is reduced to a "public good" with a certain level of demand, rather than something with intrinsic ethical value or even pragmatic importance. Seen in this narrow utilitarian context, competitiveness is just such a sacred cow whose demands must not be infringed, but environment is seen as a measure whose demands have to be qualified. As will be seen later, the

environmental obligations of the EU will not be met by an approach dominated by economics. It hints that full environmental costs would be part of "an optimum solution", but only if "developed in co-operation with other industrialised countries". Thus "the polluter pays" principle does not really hold. The clear implication of this central policy section of the energy White Paper is that in the EU ecological priorities are subsidiary to competitiveness.

#### **4.4.2 Conflict between the Internal Energy Market and the Environment**

Much is made in the White Paper of the need for coherence, convergence and the completion of an integrated internal market in energy.

"Market integration is the central, determining factor in the Community's energy policy. Without such integration other activities lose their justification ... to help in providing production, transport and distribution infrastructures enabling the European market to respond to demand, or to make supplies to that same market dependable. A fragmented market refers all such activities back to national level, and could undermine efforts to improve the Community's competitiveness." (para 7)

The notion of market integration is thus described as a *sine qua non* of EU energy policy, rather as a point of dogma than for its unequivocal benefits. Whilst having some advantages, market integration presents a potential problem which the report does not appear to recognise. Buying and selling energy applies only to forms of energy which are readily transportable. The notion of an energy market is predicated on fossil fuels and large scale, centralised electricity generation.

It excludes geothermal or waste heat, which cannot be transported at all, or those renewable developments whose primary purpose is local or which are in remote locations, which would be put at a disadvantage by being transported. Care therefore needs to be taken that the energy market philosophy does not provide invisible advantages for large scale centralised energy technologies based on fossil fuels, and put local and renewable sources at a corresponding disadvantage. This problem is already hinted at in the White Paper on renewable energy (ref.6).

#### **4.4.3 Conflict between the Market Ideology and the Environment**

In its interpretation of the market ideology the White Paper comes close to the root of much of the environmental crisis. Two statements are very revealing.

"The underlying assumption of deregulation is that the market mechanism in many areas is the best tool to maximise effective use of resources." (para 32) "All forms of energy should have a fair chance to compete in the market place. Energy prices ... should not be used as parafiscal instruments to support specific forms of energy, since this will create distortions of competition unless such measures reflect externalities." (para 60)

Here are two vital and far-reaching mistakes. One is the dogmatic insistence that the application of economic theory must precede all other criteria in determining an energy policy. On present evidence, it is hard to see how a market led policy framework will ever provide sufficient driving forces to combat global warming, atmospheric pollution and the other severe effects of fossil fuel consumption. A

major change would occur only if, by some accident of the market, fossil fuels happen to become more expensive than other energy sources. In theory this should be possible by reflecting the full weight of environmental consequences in the price paid for different fuels. The problem is that if room is allowed for the environment *only* in so far as it can be quantified and fed into a particular sort of economic equation, environmental criteria are put at an immediate disadvantage because they are inherently less quantifiable. Impacts on the environment tend to be of a different sort to costs of production. The destruction of a habitat or the increase of sea level are not so readily or straightforwardly quantifiable as the cost of machinery to dig out a tonne of coal. Because one is not comparing like with like, a rigid market concept is not a fair mechanism to account for environmental damage.

The second mistake is the impression that the market is a balanced and fair one, into which distortions must not be allowed. This is misleading, almost to the point of dishonesty. The reality is that the energy market is already severely distorted in favour of fossil fuels, because their environmental externalities are not properly reflected in their prices. There is moreover a selective bias in the way the "market" philosophy is upheld. The EU is apparently prepared to let economics govern fuel choices provided it means an expensive fuel becoming cheaper but not if it means our cheapest fuels becoming more expensive. We have just seen the assertion that "environmental goals should be achieved through measures which do not impact on industrial competitiveness." (para 48) This suggests a resistance to allowing the market to operate properly for fear it would distort the present realities too much. There are thus signs of an inertia amongst those who oversee the present system of economic calculation, as well as those who benefit from its present distortions.

Although, para 57 hints at allowing "more favourable thresholds for renewables", the report goes on to say that "renewables may need to be supported initially through specific programmes or subsidies in order for them to find a place on the market". The implication is clear that if renewables do not "find their place", environmentally more damaging energy technologies will be allowed to dominate regardless. This reveals again the profound and damaging philosophical assumption that the primary determinant for energy policy should be simple economics. We find this profoundly unacceptable.

An illustration is found in the case of gas. The most significant current trend in European energy supply is the switch to gas. In this we see an important setback, largely caused by the failure of the economic system to reflect the environmental externalities of burning gas. Coal and oil are both decreasing their market share, but the preferred replacement technology is not renewables and energy saving, but low priced gas. The environmental advantages of gas, by comparison with coal, obscure the fact that every molecule of methane burned will still add a burden of one molecule of CO<sub>2</sub> to potential global warming. Thus while gas pollutes somewhat less than oil and coal, it pollutes very much more than renewables would have done. The short term comparative environmental gains represent a long term set back, because substituting one fossil fuel technology for another delays the implementation of a substantial programme of renewable energy, especially in the electricity sector. The dash for gas has an opportunity cost that does not seem to have been factored in. Much discussion is made of how to engineer a doubling of the share of renewables to meet the pre-Kyoto target. A golden market opportunity exists to substitute old coal

and oil fired generation not by gas but by renewables, but the present trends of substitution by gas may force this back by some decades.

Economic calculations do not naturally factor in the social and ethical weight of importance for correcting environmental damage. Thus it is not sufficient for the EU energy policy to assert that the only valid criteria to determine energy choices are what are measured in economic calculations, and that everything else is an unfair distortion of the market. We will not achieve a healthy European environment if that is the case.

#### **4.4.4 Diversity and Security of Energy Supply - An Opportunity for the Environment**

Any energy policy must contain an element of security of supply. The EECSS report pointed out Europe has a serious long term problem in this respect because it relies so much on fossil fuels which are increasingly non-indigenous. The White Paper recognises the danger of "growing energy dependence and the risk of at least economic shocks due to higher priced energy sources" (para 48), but it sees no urgency, despite the fact that imports account for 50% of the EU's energy, expected to rise to 70% by 2020 as oil and gas are increasingly imported from outside the EU. Aware of past problems of too much dependence on one fuel -first coal, then oil- it sees fuel diversity as the answer (para 47) and welcomes the present switch towards gas. This is ironic because the drive for a market in energy brings increased pressure to uniformity in using the one cheapest source. In tending to favour one fuel at a time, the market may simply replace one single fuel dependence by another. The dash to gas may not be a true diversification of supply, but the start of a transition to a third phase of single fuel dominance -in this case gas. The internal market in energy may thus be part of the problem of fuel dependence and not its solution.

The more logical response to the worries about security of supply and single fuel dominance would be twofold. First it would favour using more of the diversity in energy resources which exist across the different countries of Europe, favouring different sources of energy in different areas. This would have a serious drawback, however, if the local energy supply is a major environmental problem, such as brown coal. Secondly, as our 1995 report pointed out, the best answer to security of supply is a sustained move towards renewable energies based on resources indigenous to the EU, a win-win situation, with major environmental improvement working with security of supply.

The White Paper recognises that diversity could be increased through nuclear energy and "a technological push in the development of renewables and clean solid fuel technologies in the long-term" (para 47), but its main conclusion is a more arbitrary promotion of all indigenous energy resources without regard to environmental considerations (para 81). An example of this is shown for solid fuels, the most polluting of the fossil fuels. Logically, the EU should move to replacing the contribution of coal to electricity generation by renewable and/or nuclear energy, which emit almost no CO<sub>2</sub>. The White Paper's primary interest is, however, in making European coal "fully competitive at world market prices" and to "ensure that domestic solid fuels ... would have a more secure future" against penetration from

foreign suppliers. The only environmental consideration is to point out how measures to limit CO<sub>2</sub> emissions from solid fuel would make the technology more efficient and thus improve its competitiveness. The paramount criterion is a competitive solid fuels sector, not an environmentally sustainable energy policy. In a similar vein, discussing fuel oil, the White Paper argues that "it is difficult to justify the continued application of a Council Directive ... which prevents the use of fuel oil ... for electricity production." (para 82). It is very easy to justify the continuation on environmental grounds, as we have discussed above, but again, these do not figure in the considerations.

#### **4.4.5 Conclusion on the White Paper**

Thus the impression of the White Paper is of a report written by different departmental sections which leaves many inherent contradictions unresolved, but, when it comes to concrete policy, environment is usually marginalised where conflict arises with other policy aims.

### **4.5 Climate Change - The EU Approach to Kyoto**

One key test of energy policy is found in the EU's response to climate change, and in particular the series of documents setting out the basis of its negotiating position at Kyoto. This was, ostensibly, an EU-wide average 15% reduction in greenhouse gas emissions from 1990 levels by 2010.

#### **4.5.1 Statements of Principle**

In the Commission Communication "Climate Change - the EU Approach to Kyoto" COM(97)481 final, 1 October 1997, the EU set out the basis and policy implications underlying its negotiating position. Its introductory remarks explicitly acknowledge many of the concerns in our previous report for urgent action to reduce greenhouse gas emissions.

"... it is urgent to initiate the necessary changes in production and consumption patterns that will allow the long-term reduction of global greenhouse gas emissions necessary to meet the long term objective of the Climate Convention. The EU has recognised that failure to do so could have potentially damaging effects in the long-term since society needs to have a realistic timeframe for change to take place in an open and transparent way." (p.1)

It recognises the disproportionate impact on the countries of the developing world, who are not primarily to blame and do not have the resources to respond to the damage. It acknowledges the fact that, unlike SO<sub>2</sub>, lead and CFCs, CO<sub>2</sub> emission reductions are not amenable to relatively fast end-of-pipe solutions or modifications of existing technology. It recognises the long lead times necessary before policy changes have their effect, and that "a CO<sub>2</sub> emissions strategy will need a much longer time horizon than for most other environmental problems". Consequently it sees the urgency of immediate action, because of the risk that delaying will incur far greater upheaval and cost because the measures would have to be adopted more suddenly.

These statements of high principle and urgency are extremely encouraging. The acid test is what is deemed to be feasible to realise these aims, and on what time scale. How far the EU is prepared to be radical, faced with these realities, or whether it is prepared for only a minor tinkering with its policies? In political terms, the stance taken by the EU going into the Kyoto negotiations was bold and likewise encouraging. The lead it took amongst industrialised nations was warmly commended by many in the churches, in contrast to a widespread moral condemnation of the USA for seeming to want to do as little as possible. The churches cannot support the subsequent trend towards seeing the much lower legally binding targets as sufficient, and the attempts on the part of some member states to reduce obligations further by various forms of emissions trading.

#### **4.5.2 Emissions Trading**

At best, emissions trading can be a valid means of using market mechanisms to motivate good environmental practice. At worst it is an excuse to avoid facing up to the obligations to clean up one's own back yard. It is fundamentally unsatisfactory in that it is a technical fix to an ethical problem, and thus it should be seen only as a temporary measure until good practice has been established more widely. The problem is that it can become an end in itself, finding ever more ingenious ways to justify maintaining poor practice. In particular, it must be allowed that emissions trading can be used by member states as a way, in effect, to reduce their agreed emissions target. It must only be applicable once the target has been reached. There is a moral obligation on each country to do their own washing up before getting involved with other people's! Moreover, emissions trading operates most effectively where there are a reasonable number of players in a given sector, within an identifiable geographical region, and where there is some sense of mutual obligation. It is doubtful how far these three conditions are met at the level of member states.

#### **4.5.3 How far is Principle Translated into Practice? - Conflicts of Priorities**

It must be faced, however, that the EU reductions still fall far short of what is going to be needed if the objectives set out above are going to be achieved. According to two UK experts on the effects of climate change on agriculture and food production, (ref.7) <sup>42</sup> it would only reduce the number of people at risk from climate change induced starvation from 22 million to 20 million. Set in such a bald perspective, the churches must still challenge the EU on whether what was proposed represents a sufficient response. This is all the more important now that the Kyoto agreement has set the EU a target of only half its own proposal. The question now facing the EU is how much further is it prepared to go for its practices to match the ideals set out above?

The report lays out the basis on which its reduction target of 800 Mte CO<sub>2</sub> is said to be technically possible. "The targets were agreed because .... [they] are technically and economically feasible using in the main currently available technologies and

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<sup>42</sup> Mike Hulme and Martin Parry, "Whistling in the Dark", New Scientist, 6 December 1997, p.51

practices." (page 1) Our examination of what the report regards as feasible in the various different sectors suggests that the proposals are not very radical. They appear to be more governed to a much greater degree by making the status quo more efficient economically, than by a willingness to question the status quo environmentally. This is shown both in the discussion of sectorial responses and in the general philosophy. For example, having laid much of the blame for CO<sub>2</sub> emissions at the door of fossil fuels is it surprising to see the assertion that "the only way to reduce CO<sub>2</sub> emissions is through modification of ... use [of] fossil fuels". One would have expected to see alongside this, the primary question : to what extent and in which sectors can we replace fossil fuels with low CO<sub>2</sub> emitting alternative energy sources? Instead, this appears as something of an add-on within a basket of measures aimed mainly at simply doing more efficiently what we do already. There is also an implicit hope for an "end-of-pipe" solution in the statement that "no economical removal technology exists as yet" for CO<sub>2</sub>. The scientific consensus is that there is no realistic prospect of there ever being an economic removal technology.

Another criticism is that existing policy imperatives such as internal energy markets and transport networks are presented, somewhat as dogma, as necessary steps towards emission reductions, without making a rational argument to show that the opposite would not be the case. For example, one of the aims of the liberalised market is low energy prices. Yet the report itself declares that it is "disappointing that the use of most available climate friendly technology has been modest" and attributes a large part of the blame to low energy prices.

In the industrial sector, the low energy prices are seen as pushing energy efficiency down in priority in all but the most energy intensive industries. Again, one danger from a liberalisation of the energy market is that the resulting greater demand for gas could lead to a delay in the greater implementation of renewables, and thus a delay in implementing CO<sub>2</sub> emissions reductions. Only a brief acknowledgement is made on page 11 that liberalisation favours short term pay back investments, of which gas is a classic example, to long-term CO<sub>2</sub> reduction measures like renewables whose major costs are in up front capital.

In the transport sector, the measures discussed are disappointing in their primary emphasis on improving the fuel efficiency of cars and the removal of what are seen as market inefficiencies. There are no proposals for alternatives to oil-based transport fuels or for more radical measures to shift freight or passengers away from road transport - indeed the liberalising of rail is presented as if this was all that is necessary. There is even a sense of contradiction between shift from hoped from rail efficiency and the effects of improving car efficiency. The reduction of air transport emissions is not mentioned at all.

In the electricity sector, again the priority is for economic efficiency, which happens to bring environmental savings, rather than the much greater savings which would be achieved by fuel switching. The report sees scope "for reducing CO<sub>2</sub> emissions through an accelerated closure of low efficiency old plants", because of the greater thermal efficiency of new stations. This is relevant only if new thermal plants would be built with coal or oil-fired stations, which would be an extraordinarily retrograde step, given how much greater savings there would be if the old plants were replaced

by renewable or nuclear generation. Similarly, in discussing the gains from switching from coal and oil to gas-fired plant, no mention is made of the opportunity cost of this compared with using renewables instead.

#### **4.5.4 How Radical is the pre-Kyoto Target?**

Seen in this light, therefore, the 800 Mte reduction target is therefore a less searching aim than might first have appeared. It would seem that significantly more should be technically feasible, but that the report chose political and economic priorities that inevitably limited its horizons. The stated criterion for actions to reduce greenhouse gas emissions was "only those that can be expected to be politically acceptable ... must not be excessively costly and should not have unacceptable social and distributional effects". As stated above, the interpretation of these criteria represents the acid test for implementation of a sustainable energy policy. Unfortunately no yardstick is given to enable us to assess whether the Kyoto position is a minimalist one, or whether it has really looked for the largest reductions. On the basis of the sectorial analysis it would seem to be more the former than the latter implies.

An important presentational point is the failure of the report to put up front the extent to which CO<sub>2</sub> reduction measures might lead to overall cost savings and increased employment, which would offset the negative perceptions of the measures. This is especially in view of the fact that the report observes that even to achieve the 800 Mte would require a substantial political commitment. At the beginning of section 3 the report presents the notion that CO<sub>2</sub> reduction would primarily increase costs for society, and thus be limited by how much society is prepared to pay, yet at the end of the section it states that there are "a large amount of no-cost or low cost possibilities to reduce greenhouse gas emissions." If the point had been put the other way round, and if a larger technically feasible target had been identified to begin with, there would have been a greater political leverage to achieve the aims.

#### **4.5.5 Energy Taxation**

In its favour, the report points out where existing policy measures will be insufficient to meet its targets, and identifies the additional actions which it sees as important. The political will to achieve these will be a major test of the EU's real commitment to sustainable energy, and in particular the implementation of fiscal incentives it mentions "switching the tax burden from labour to energy and carbon-intensive production". This is an important plank in the strategy, since it would go some way to addressing the low economic incentives to energy efficiency already noted in the report, and it would help remove some of the market distortions against which renewables have such difficulty in penetrating their potential penetration in the energy supply system. It is also encouraging to see reference to bridging the gap between the social rate of return and that typically demanded by the private sector. The proof of the fiscal pudding will however be in its implementation, and we have not yet seen the signs we would expect to indicate that substantive measures are in prospect. Although we welcome proposals in relation to energy products, the indications are still great reluctance to do more than tinker at the edges of the problem. The churches expect to see some real attention to a basic question of justice.

#### **4.5.6 Addressing the Underlying Causes - Reducing our Consumption**

A further test of the seriousness of the EU's stated intentions on climate change will be in how far it embraces longer term, and more fundamental goals. The report is encouraging in that it recognises that more fundamental changes are required.

"An EU strategy while being effective in meeting interim targets also needs to initiate a process of technological and behavioural changes that curbs the growing greenhouse gas emissions and sets them on sustainable paths which will meet the requirement for continued reductions at or beyond 2010." (p.8)

The churches have repeatedly stressed that developing a more sustainable lifestyle is imperative, and the report seems on the surface to agree. "In addition potential exists for developing a comprehensive approach to promote sustainable consumption patterns with a positive impact on climate policy goals." (p.10, para 2) It identifies the need for a "reorientation of consumer behaviour and choice".

Unfortunately the report sees this largely as a future issue, to be addressed by educating people for "consumer awareness" in order to make voluntary changes. As churches, with many centuries experience of what motivates people to make life changing in behaviour, we would find such an approach deeply flawed, and not a serious attempt to address the issue. We know that to change motivations is not based primarily on educating people, expecting them to change as a result of being given information. Would that it were so simple! It requires a deeper change of belief and orientation, and is generally effective only if backed up with a supportive culture. In the case of climate change, this means a consistent, multi-faceted approach involving all levels of society and government, and including substantive policy changes geared to encouraging people to change their patterns of living in climate friendly ways.

#### **4.5.7 Conclusion on the Kyoto Targets**

"An important aim of a Community energy policy will be to ensure that measures in the energy sector do not conflict with and indeed enhance sustainable development" (White Paper on Energy Policy, para 13) It would seem that this aim is far from being achieved. There is an inertia in the system which favours the maintaining of the present artificially low prices for fossil fuels, and the skewing of the whole supply side priorities which this brings. At heart this problem is short term thinking, based on preserving too many elements of the status quo, and stands in opposition to the steps which will begin the radical change in priorities the churches are calling for.

### **4.6 Prospects for Renewables and CHP**

#### **4.6.1 Major Energy Policy Changes Needed**

The Kyoto negotiating position assumed an increase from 6% to 12% in the renewable share of energy, which was seen as "a realistic target". A White Paper setting out the prospects for renewable energy sources in the EU (ref.6) amplifies this point. "In order to achieve such a reduction [in CO<sub>2</sub> emissions], the Union will require

major energy policy decisions, focusing on reducing energy and carbon intensity. Accelerating the penetration of renewable energy sources is very important for reducing carbon intensity and hence CO<sub>2</sub> emissions, whatever the precise outcome of the Kyoto conference."

The opening paragraph is most revealing in presenting the main reason to develop renewables as their economic potential and development opportunity. "Unless the Community succeeds in supplying a significantly higher share of its energy demand from renewables over the next decade, and important development opportunity will be missed." Only secondarily does it add that "... and it will be increasingly difficult to comply with its commitments ... as regards environmental protection." It then also recognises their indigenous nature and their potential contribution to job creation and regional development. This is further expressed by the last advantage - the *business* opportunity in selling the technology to developing countries - rather than the great environmental potential to be gained from transferring these technologies so that their economic emergence need not be accompanied by the same pollution intensity that characterised our European industrial legacy. Lastly it adds that the general public favour renewables more than any other source of energy, on environmental grounds. Economics seems to prevail over social, environmental or strategic criteria.

#### **4.6.2 Barriers and Returns**

The White Paper recognises that some technologies require technological breakthroughs while others have achieved (biomass, small hydro and wind) or are nearing economic viability already, even in a market which is significantly biased in favour of conventional (i.e. fossil fuel) energy sources. Thus it identifies "several non-technical barriers which hamper the penetration". One is the highly competitive market, adding further weight to our remarks above concerning whether renewables will be disadvantaged by the internal energy market. A very important barrier, also pointed out in our previous report is the higher initial investment costs of most renewables and the fact that "energy prices for conventional fuel cycles do not currently reflect the objective full cost, including the external cost to society of environmental damage caused by their use." (pp.6-7). It warns of the dangers of renewables not achieving their potential unless there are a wide range of across-the-board policy initiatives and legislative measures put in place actively to promote them. With this we heartily agree.

Thus a very substantial additional investment is called for in the period to 2010, and returns are calculated on the savings in fuel costs and CO<sub>2</sub> emissions, reductions in fuel imports and also new jobs created, as discussed further below. It is not clear how far the calculations include an estimate of the presumably substantial economic gains of these jobs, emissions saved and imports reduced. We note that the price guidelines to generators include a premium to take account of the social and environmental benefits of renewables (p.15).

#### **4.6.3 Biomass and the Agriculture Sector**

We draw particular attention to the role that biomass can play in relation to regional policy and to the regeneration of the rural economy, in the redeployment of both arable land for energy crops and unproductive land for energy afforestation. In line

with our wider concerns about integrating the environmental implications across all EC departments, we strongly agree that energy policy must be urgently co-ordinated with the revision of the Common Agricultural Policy. We will be monitoring to see what progress is being made on this aspect. This will involve more than just macro-economic incentives. A study by the Church of Scotland on the future of agriculture in Scotland has revealed a degree of reluctance on the part of local farmers to change familiar patterns and assumptions held for many generations. In some areas, for example, there is a cultural perception that forestry is something which does not properly belong to farming. If the potential of biomass is to be realised, there will need to be a sensitive attention to local needs, and a good deal of re-education.

#### **4.6.4 Incentives for the Poor**

The White Paper recognises that it is not enough or realistic to expect the higher costs of such a programme to be met with primarily by voluntary means. We would add that this is especially the case for the poor, who do not have a realistic choice to pay more for "green energy", and who need especial measures to ensure their protection from the fuel poverty spiral. The Easterhouse project in Glasgow has given evidence of what a carefully targeted relatively small investment can do not only for fuel use, but improved health and a sense of revived hope in urban priority areas. This model could be extended to many other areas of deprivation across the EU.

#### **4.6.5 Conclusion - Not Far Enough?**

While this is an encouraging White Paper as far as it goes, three questions stand out.

- What will be done to address the internalisation of fossil fuel external costs?
- Is the 12% target enough?
- How far will it be put into practice?

On the former point, the European Parliament thought that a target of 15% renewables by 2010 was realistic instead of 12%, and the White paper does not give any substantial reason why the Commission has continued to opt for the lower figure. Given all the advantages mooted in the introduction, it is not clear why the Parliament's lead has not been followed up. The Commission should take up the Parliament's call for a common energy-related tax model, a greater use of structural funds, the better utilisation of agricultural and forestry biomass and a buildings directive to take advantage of large potential passive solar gains in this sector.

Although we welcome the reference to tax incentives for renewables in the White paper, this is not enough on its own. Having identified the barrier to renewable development caused by fossil fuels not paying their environmental costs, it is surprising indeed that there are no proposals to rectify this most serious and damaging anomaly. If the underlying inequity of the present market is not addressed, the proposed investment of EU funds will fail to realise a substantial part of its potential and both economic and environmental opportunities will be lost.

On the final point, we shall monitor with much interest how far the proposals in the White Paper are translated into active policies and we will look for signs of real change.

## **4.7 The Social and Employment Impact of a Sustainable Energy Policy**

The scale of what is called for should not be underestimated. What the ECO<sup>2</sup> report proposed entails a massive shift in basic energy policy, perhaps as great as any in the last 250 years. Since energy plays a central role in the economic life of Europe, such a substantial change to the energy map will be likely to have immense knock on effects. In particular it will alter the infrastructure which has been built up, usually in a piecemeal fashion, around Europe's energy supply system since the start of the Industrial Revolution. Some might therefore argue that a planned change in the direction of energy sustainability on this scale would lead to a destabilisation and should not be contemplated. This would be a mistaken and misleading assertion, in the light of the large structural changes that have already been taking place in the energy sector.

### **4.7.1 Context - the Effects of Past Changes in Energy Policy**

By way of example, we cite the former UK Government's heavily criticised decision of the early 1990's to close most of the English coal mines with very little warning, for what many observers saw as primarily political grounds against the powerful mining unions, rather than out of a sound energy policy. What was widely seen as an act of state immorality threw whole communities out of work, whose life depended on the pit, without inadequate warning or reasonable chance to adapt. At first sight, this might have seemed environmentally beneficial, but coal was replaced not by renewable energy, but by a headlong "dash for gas". This was an environmental mistake in which cheap gas has put back by decades the opportunities for a substantial programme of energy saving and renewable energy, which a more careful and slow running down coal-fired generation should have presented.

Other major changes in the post-war era, include the enormous growth in demand for oil-based transport fuels, the emergence of the nuclear power and offshore oil and gas industries, with their huge dependent infrastructures, and the move away from small, local electricity generating stations to a more centralised grid system, supplied by a relatively small number of large power stations. All these have had substantial social and employment implications, but their scale of and wide ranging nature make them very difficult to identify with any precision.

At one level, since the entire infrastructure of industrial society is itself a direct product of the availability of cheap coal, oil and more recently gas, then it is hard to imagine what it would be like to have something different from the status quo. It is like the water the fish swims in - we are not actually aware of it.

### **4.7.2 Key questions**

- Does energy saving destroy jobs or create them?
- The effect of centralised or decentralised power generation.
- Which energy sources create the most jobs: coal, oil, gas, nuclear, hydro, a diverse set of renewables?
- Does the present form of high carbon intensity fossil fuel production and consumption give rise to more or less jobs than alternative approaches based

around less energy consumption and higher efficiency, and more use of renewable energy?

#### **4.7.3 Employment Implications of Using less energy**

Less energy usage could mean doing the same amount of economic activity with less energy produced or using the same amount of energy and doing more activity - which would it be? It is not obvious. Until recently, high levels of energy consumption were regarded as one of the typical indicators of a healthy economy and were thus assumed to be commensurate with job creation. Not only is this argument is now highly questionable, but its corollary - that if per capita energy consumption is reduced, this will inevitably lead to greater unemployment - needs to be challenged. The nature of energy efficiency measures is a very large number of small activities, which should create many more jobs in the energy efficiency sector while these were being implemented. These could be in the level of basic building trades, like insulation, plumbing. There is also research and industrial process efficiency.

There have been a few studies into this issue. In the UK, a programme entitled "Energy Efficiency Standards and Performance" was set up in 1994 by the Office of Electricity Regulation. Electricity companies were permitted to put a levy of 1 UK pounds per customer which the companies would spend on energy efficiency measures. For example, the measures implemented in 12 month period 1996-7 will save about 2500 GWh, equivalent of reducing emissions of carbon dioxide by almost 3 Mte.

The Energy Saving Trust sponsored a study on direct and indirect job creation which had resulted from the first two years of this scheme. About 400 direct and 60 indirect annual full time jobs have been created to achieve energy savings of about 1.5GWh/y and for a yearly investment (through the levy) of 25 million UK pounds. These are half in management, administration and monitoring, half in relatively low skilled work in the building trade. The cost of each job is around 22,000 UK pounds, compared with a figure of 30,000 in a study on Combined Heat and Power Schemes and from tourism.

The loss of sales from the electricity supply companies were presented as very small compared with the annual turnover, but this was a little disingenuous. If the full potential of energy efficiency were realised, there would be substantial losses of electricity production. In so far as this would translate into job losses, these would offset the jobs gained, but unfortunately the study did not attempt to estimate this. Pragmatically, it was pointed out that contextual effects such as the "restructuring" of the UK electricity industry (in saving money by cutting jobs) had destroyed far more jobs than the relatively small savings from the efficiency scheme.

In Glasgow, the WISE group set up an intermediate labour market around house insulation and energy efficiency improvements in districts such as Easterhouse, notorious for "fuel poverty". This was initiated by residents' action - "It a' started wi' a damp hoose!" and helped by EU funding. It has become a model for the UK Government "Welfare to Work" programme. Jobs are created at about 16,000 UK pounds/job. A much larger EU study has begun, under the SAVE programme, due

by late 1999. This will look at the effect of energy efficiency investment on employment in 10 countries.

#### **4.7.4 Employment Implications of Fuel Switching from Fossil Fuels to Renewables**

The most fundamental societal change a move away from largely centralised systems of production of electricity and the employment patterns they create, to smaller power units and more diverse and local forms of generation

- more novel forms of generation - jobs in RD&D while they are in the development phase,
- less waste treatment requirements – meaning less jobs in the waste technologies.

British and Danish studies on job creation from wind energy have been done, which is said to have created 30,000 jobs to date in Europe. The problem is that the scale of implementation is relatively small, making it hard to extrapolate to a large Europe-wide programme of renewable energy. The EU White Paper on Renewables (ref.6), however, estimates that doubling the contribution of renewables from 6% of EU energy to 12% could create between 0.5 to 0.9 million jobs, from the TERES II study. Industry estimates are higher - 0.19 - 0.32 from wind, 0.1 from photovoltaics, 1.0 from biomass, 0.25 from solar collectors. The types of jobs vary, depending on the energy source. Biomass energy development creates employment in production of raw materials, and photovoltaics in operational and maintenance work. It concludes that "while it is not possible to reach any hard conclusions ... it is quite clear that a proactive mover towards such energy sources will lead to significant new employment opportunities."

It is not clear that the White Paper on Energy Policy or the Kyoto Target communication have taken this employment aspect seriously in their judgement about what is "cost effective" for renewables development. It suggests that they have been too conservative, and not given sufficient valuing to the employment advantages of adopting environmentally sustainable policies for Europe's energy.

#### **Conclusion**

Although employment is amongst the highest of all priorities in the EU policies, it seems that the employment dimension of adopting more sustainable energy use and supply policies has not been taken seriously enough. Consequently it seems likely that the advantage in adopting renewable energy or energy saving measures has been undervalued.

## Energy Supply and Demand Perspective

The current situation of energy supply and demand in Europe in the White Paper (paras 40-42).

### a) Demand

- In the Community there will be a steady growth in energy demand, compared to some other regions, with gross inland consumption increasing at slightly under 1% yearly.
- Transport growth will continue and therefore will consume more energy in spite of gains in vehicle efficiency.

### b) Fuel Mix Projections

- On the demand side, natural gas consumption will show the greatest volume increase. Demand will at least double, mainly for power generation.
- In fact, electricity generation by gas-fired plants could reach almost half of total thermal capacity, most of it combined-cycle plants.
- In contrast coal and nuclear are expected to lose market share.
- There is likely to be a limited increase in demand for heavy oil products, reflecting the fact that the opportunity for growth is confined to the transport sector.
- Heat from decentralised cogeneration plants and renewables, in particular biomass, biofuels and wind, could make significant gains, squeezing the share of oil, although oil will still continue to hold the largest overall market share at around 42%.
- Solid fuels will remain significant in the thermal electricity market and could retain a share in excess of a one third of that market by 2020.
- Electricity generation from renewable sources and waste will considerably increase.
- Renewable energies are expected to increase substantially by 2020.
- Energy intensity will continue to improve as new investments using more energy efficient technologies are made and other methods of managing demand are advanced.

### c) Supply Side

- Energy efficiency improvements could be particularly significant in electricity generation.
- Community energy production seems set to decline, perhaps by one fifth by 2020.
- The onset could be considerably delayed by technological progress. Improved exploration and production technology will continue to release 'new' recoverable oil and gas reserves.
- The combination of increasing energy demand and an eventual decline in

indigenous production would result in a growing trend in dependence on third countries. Import dependency, currently close to half of gross consumption, could move towards 75% by 2020. Dependency on imported natural gas is increasing because of the rapid increase in demand, and on imported coal could increase as a result of declining domestic production.

-The Community is already heavily dependent on imported oil.

#### **d) Preliminary Comment on the EU Energy Situation**

The basic question to be asked is does this reflect a good or even adequate response to the priorities laid out in the EECCS report. Our primary concerns are

- to save energy,
- to reduce greatly our dependence on fossil fuels, and
- to make a correspondingly large penetration by renewables.

## Chapter 5 : Transport and Environment

### Introduction

The first EECCS report, published in 1995, included three case studies, one of which had been on “transport and sustainable development”. This case study started by saying “the problem of transport and mobility has emerged in recent times as one of the central issues in any consideration of sustainable development for Europe. It has become a controversial issue - a source of deeply divided opinion in our societies and our political institutions. Europe's transport system has ... become a major obstacle to an efficient policy of reducing CO<sub>2</sub> and acid emissions”. The case study elaborated environmental and social consequences of Europe's transport systems. It examined transport politics on a national (German) level as well as the status quo of the European transport policy. The case study had as its heart an analysis of mobility as a fixation of our times. It examined the problems behind current patterns of mobility, for example the idea of mobility as an expression of the feeling “being free”.

The case study also included an approach to the modern production patterns, which are stimulated by and are themselves stimulating the growth of traffic. The case study tried to give a first shape to what we might call “sustainable mobility”. This was done for all the main modes of transport. It called for a reorientation of the current transport systems, which should proceed simultaneously on four fronts:

1. The reduction of traffic on all levels
2. A transfer to ecologically sustainable modes of transport
3. The development of optimised technology
4. A general move towards deceleration

The introduction of the “polluter pays principle” was said to be fundamental. A check list of first steps concluded the case study:

1. Strategies are needed for decentralising and regionalising economic structures.
2. Making a calculation of the transport element of the costs of industrial products must become an essential part of economics.
3. Urban planning needs to be integrated with public transport.
4. The impact and role of air traffic needs urgent attention.
5. The need to revitalise rail transport, both for freight and passenger traffic, especially over for long distances.
6. Europe needs to rethink its idea of mobility. A new concept of “mobility-education” is needed.

In this report the case study on transport examines the Commission's transport policy since 1995 in the light of what we understood by “sustainable mobility” in the first report. This is done in section 5.1. For each document we first summarise what the report is saying, without necessarily agreeing or disagreeing, and then add our own comments and critiques at appropriate points. Section 5.2 looks at the “question of employment”. The growing importance of the Trans-European-networks on transport (TEN-Ts) and of the Pan-European-networks (PENs) had to be considered (Chapter 3). Chapter 4 is taking up some aspects of the social context of transport.

## 5.1 EU Policies Examined

Since 1995 the Commission published the following important documents on transport:

1. Towards fair and efficient pricing in transport, Com (95)691final and its follow-up.
2. The Citizens' Network, 31.7.1996, and its follow-up.
3. A strategy for revitalising the community's railways, Com (96) 421 final.
4. Trans-European rail freight freeways, Com (97) 242 final.
5. Management of air traffic, Com (96) 57 final.
6. Climate change - the EU approach for Kyoto, Com (97) 481 final.
7. Communication on transport and CO<sub>2</sub>, Com (98) 10.3.98, draft.
8. Agenda 2000, for a stronger and wider union, Com (97) 2000 final.

### 5.1.1 Green Paper: "Towards fair and efficient pricing in transport", Com. (95) 691 final, and its follow-up.

"Transport policy is at the cross-roads" declares this Green Paper in its very first sentence. This agrees with our previous report where we concluded that "The facts indicate that the European transportation system needs a fundamental reorientation".

The important first five DG VII documents in the list above (1-5) pick up problems of transport policy at very crucial points which the EECSS 1995 study was pointing at :

1. Internalisation of external costs
2. Improvement of public transport
3. Revitalisation of rail (passenger and freight transport)
4. Need to consider the impact of air traffic

The Greenpaper on fair and efficient pricing gives the background. There is a growing realisation that on current policies alone, transport trends are unsustainable. Without substantial change in transport patterns and investments, increasing delays and costs are guaranteed. The Union's objective of ensuring sustainable transport requires that prices reflect underlying scarcities. There is a significant mismatch between prices paid by users and the costs they cause. All in all these costs amount to some 250 Becu p.a. in the Union and over 90% of these costs are related to road transport. The Greenpaper therefore concentrates on road transport. The Commission believes that a wide debate on transport pricing is urgently needed. The document calls the costs of transport "externalities of transport". It appears that generally external congestion costs are the largest individual externality, followed by accident and environmental problems (air pollution and noise). The document is very critical about the argument, repeated again and again in political discussions, that transport creating significant positive externalities<sup>43</sup>.

The paper has a very differentiated approach in its investigation of the internalisation of external costs in transport, and the proposals it comes up with. The European Federation for Transport and Environment (T&E) comments that this approach is fair and tends to be just, and that external costs vary significantly in modes, time and

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<sup>43</sup> "These positive externalities are stimulated productivity, which leads to economic benefits which, however, are internal to users." p.7

place of use, especially for example between rural and urban areas<sup>44 45</sup> Nevertheless T&E misses out the vitally important aspect of the internalisation of CO<sub>2</sub>-emissions.

The discussion on external costs of transport has been going on for about 20 years. In the 1994 “Declaration of Crete”, summarising the first and second conferences of the EU ministers of transport, it was admitted that “there is something like external costs of transport which have to be internalised”<sup>46</sup>.

The Green Paper very carefully elaborates external costs of transport.

### **5.1.1.1 Infrastructure costs and congestion**

Building and maintaining infrastructure entails costs. This raises the question of how these costs should be recuperated from the infrastructure users. Many of the charges currently used are not or only partly related to the actual costs of providing or using the infrastructure. Clearly, there is an important link between congestion and infrastructure costs, because congestion implies that infrastructure is used beyond the designed capacity (i.e. there is infrastructure scarcity).

#### **What are infrastructure costs?**

In evaluating infrastructure costs it is essential to make a distinction between capital costs, and operating and maintenance costs.

- The capital invested in the provision of a transport infrastructure gives rise to a fixed cost (annual capital costs) that bears no relationship to the actual use of the infrastructure. There is no reason to make users pay annually for the investment costs that were incurred in a particular year.<sup>47</sup>
- Some of the operating costs vary with transport volumes (e.g. axle of weight of vehicles travelling), but also other factors play a role, such as weather conditions (rain, snow, excessive heat etc.)

Data on these costs are generally available, although no harmonised approach for measuring these costs exists at the level of the union.

In addition, the construction of infrastructure often has major land use implications. It can lead to a disturbance of ecosystems and might create so-called barrier effects. The associated costs are not well understood, but could be significant and should be taken into account in the design stage<sup>48</sup>.

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<sup>44</sup> The European Federation for Transport and Environment (T&E) is Europe's primary non-governmental organisation campaigning on a Europe-wide level for an environmentally responsible approach to transport. T&E was founded in 1989 as a European umbrella for organisations working in this field. At present it has 29 member organisations covering 19 countries.

<sup>45</sup> In an interview with staff-members of DG VII it was said, the Commission values this organisation highly for its work and co-operation.

<sup>46</sup> T&E Bulletin, Febr. 1997

<sup>47</sup> T&E Bulletin, Febr. 1997

<sup>48</sup> Road capital costs vary between EU-countries. Evaluations are presently only available for Germany, Austria, UK, Finland. More information is needed on a harmonised basis, allowing

How should infrastructure costs be charged? Three criteria should be met:

- a) The system should link charges as much as possible to actual costs (i.e. marginal cost pricing) at the level of the individual user<sup>49</sup>.
- b) In total, infrastructure charges should recover aggregate infrastructure costs. Marginal cost pricing alone will not lead to full cost recovery (significant parts, notably capital costs, are not use dependent). Full cost recovery is, however, important. One reason for this is that the general budget would have to fund the sector by improving taxes/charges elsewhere. Yet large transfers between sectors are undesirable. Therefore, in principle the total infrastructure costs should be recovered in the long run.

**Our Comment:**

The capital costs of building roads have been up to now a sort of "free gift" for users.

The paper continues that it is perfectly legitimate to invest in infrastructure for non-transport related policy reasons, such as regional balance. Secondly, past decisions on infrastructure projects that no longer meet present day transport demands have generated high costs. In both cases these costs cannot be recovered by users. This kind of infrastructure has to be given special treatment. Hence the third criterion.

- c) The system of charging for infrastructure costs should be clear to citizens and businesses - the principle of transparency.

**Congestion costs**

Congestion is a waste of time and energy. It results from the fact that there is a "market failure". There is only a limited number of estimates available for congestion costs and most of these refer to roads. A recent survey by the OECD (1994) puts road congestions costs in Western industrialised societies at some 2% of GNP. This figure suggests costs of the order of 120 Becu for the EU p.a.. An important characteristic is that congestion varies across space and in time. Clearly, this is a function of the spatial organisation of Western societies and the relatively fixed patterns of work and school over the day and week. Road congestion is therefore largely concentrated in urban areas.

The only way to curb congestion in the long run is to set an explicit price for infrastructure capacity. In the absence of congestion pricing it will generally be attractive to build more infrastructure than that which "is socially desirable". Congestion pricing could hence lead to important savings in resource costs of infrastructure costs<sup>50</sup>. The joint use of congestion charging and efficient investment rules is thus an essential precondition for arriving at a balanced transport system.

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cross-country comparisons to be made.

<sup>49</sup> This statement is reported to be taken from the Royal Commission's report "on transport and environment."

<sup>50</sup> For example, traffic induced wear and tear can be taxed relatively easily by charging trucks on the basis of their axle, weights and mileage. This could be an incentive for hauliers to use configurations with lower axle weights, reduce empty runs, or combined transport.

### **Our Comment:**

The statement “an infrastructure which is socially desirable” and the statement “efficient investment rules” would need to be elaborated more intensively.

### **5.1.1.2 Actual charging systems and policy conclusions to be made**

#### **Actual charging systems**

Member States use different systems for allocating and recovering road infrastructure costs, which all rely on annual vehicle taxes and fuel excise duties. In six Member States road tolls are also used<sup>51</sup>. Moreover, road user charges, based on the time during which the infrastructure network is used, were introduced for trucks in 1995 in Germany, Denmark and the Benelux countries<sup>52</sup>.

The relation between these taxes to damage caused is generally quite poor, because there is no link between mileage and different types of cars in the annual vehicle tax systems. Beyond that, the significant differences of these taxes in Member States point to a potential distortion of competition between hauliers of different nationalities. This constitutes an obstacle to the efficient functioning of the internal market. More harmonisation is said to be needed<sup>53</sup>.

#### **Policy conclusions**

##### **a) Long Term**

Efficient charging implies that charges should be linked as closely as possible to costs. Therefore efficient charging systems will have to differentiate accurately in a large number of respects. This would require the introduction of telematics based pricing systems. This is the only way to make pricing in transport throughout Europe more transparent and fair. It is especially important in the case of heavy goods vehicles, essential for the elimination of distortion of competition, of major importance as full liberalisation of road haulage market is achieved. The infrastructure charging policy should in principle aim at full cost recovery - capital costs and operating costs.

The introduction of such an approach would, in the long run, reduce the need for using existing charging systems. Research work has to be done. The change towards this new system - largely hanging on telematic technology - will not be feasible for another decade. Therefore transitional measures are proposed:

##### **b) In the short and the medium term the following actions could be taken with relative urgency:**

- a better align of the current levels of charges for road haulage with infrastructure costs<sup>54</sup>

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<sup>51</sup> Studies for the US have indicated that working in this direction could lead to annual cost savings of 7.75 billion dollars - or nearly 18% of total highway expenditure in 1982.

<sup>52</sup> France, Italy, Austria, Spain, Greece and Portugal

<sup>53</sup> This road user charge for trucks does not meet the strategies elaborated above. The countries, where introduced since then experience longer trucks (more axles and weight), more aggressive way of driving (time pressure).

<sup>54</sup> The systems used to recover infrastructure costs in rail and inland waterways also differ

- improving the structure of the current system to accommodate the high degree of differentiation in costs
- a review by the Commission of vehicle taxation and associated policies is on the way to take more into account the question of internalisation external costs of passenger cars. The next review of the minimum rates of excise duty on mineral-oil is on the way.

### 5.1.1.3 Costs of transport accidents

The document describes the status quo<sup>55</sup>. Considerable improvements of safety in road transport have been made by large regulatory efforts over the years, despite the continuing rapid growth in traffic. The concept of cost in relation to accidents is complicated. However it is estimated that a year's road accidents costs the union approximately 15 Becu in medical, administrative and damage reparation expenditures alone. The underlying idea in this chapter of the document is again to ensure that charges are brought closer to costs at the level of the individual who makes the transport decisions. This suggests that one should seriously review the possibility of using existing insurance systems and ensure that the premium, both in level and structure reflect risks to the society as a whole<sup>56</sup>. Pricing and compensation practices vary widely from one country to another. The document mentions the possibility of introducing a "pain and suffering scale" to be adopted throughout Europe. The paper seems to aim at the introduction of "road accident insurances" in the Union. This approach would imply withdrawing the "road accident subsidy" that is currently paid by governments and societies and leaving the true and total costs to be borne by the driving public. This approach would give consumers an incentive to buy safer cars, drive more safely, drive less, use safer roads, switch to other modes, where appropriate to car pools.

#### **Our Comment:**

This approach to address accident costs would indeed tend to leave true and total costs of accidents to be taken by the driving public. Nevertheless it is delicate to guess that a "pain and suffering scale" would be useful instrumentalising sufferings which cannot be "measured". The paper does not mention the important factor of changing users' behaviour by education, which the EECCS report section 7.4.2.4 elaborated in the call for a new "mobility education"

### 5.1.1.4 Costs of air pollution from transport.

There is a significant variation in the share of transport in total emissions across the EU. The lion's share is from road transport. This has been addressed by the

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strongly between Member States and seem to have a lower cost recovery than road. Available studies suggest, that road users cover infrastructure costs, but significant distortions seem to occur within the road sector itself. Passenger car-traffic seems to compensate for costs of HGV (heavy goods vehicles), especially from other nationalities.

<sup>55</sup> See the discussion on the Eurovignette for trucks, which up to now has been a failure.

<sup>56</sup> See EECCS report, case study 2, p.41 and figs. 5 and 9. - There is an alarming difference in recorded injuries and in the definition of serious injury across the community. This affects the evaluation of the overall accidents costs and thereby, possibly, attitudes to road and vehicle safety policy. The EECCS report already pointed to this fact, p.41.

Commission and resulted in reducing emissions per vehicle-km by some 90% since 1970. As a result transport-related emissions of carbon monoxide, volatile organic compounds and oxides of nitrogen show a downward trend, while lead emissions from gasoline are gradually being phased out. But total emissions of other air pollutants continue to rise due to the growth in motorisation and transport demand. This is the case of particulates and carbon dioxide. The paper admits: "Transport sources are major contributors to the so-called "greenhouse effect", principally through emissions of CO<sub>2</sub> and CFCs, but also through emissions of other air pollutants"<sup>57</sup>. A recent OECD survey puts the external costs of (local and regional) air pollution from transport at roughly 0,4 % of GNP, but ongoing research point out this figure underestimates the costs of air pollution by not taking into account public health effects which have been significantly underestimated. Research data on this point are needed.

What should be done, therefore? Given the dominant share of road transport in total, policies should be developed with a certain urgency for this mode. The EU until now successfully followed an approach through product standards and rules to reach air quality. The limits of this approach are the very differentiated causes and effects of air pollution across Europe. This suggests that the implementation of European measures alone is not very cost-effective. This is the very reason why the Greenpaper says that the option of increasing fuel taxes, often promoted, would not be the best solution. It admits that emission fees are, in principle, the most attractive instruments to internalise the costs of air pollution in the transport sector, but this "is currently not possible because of very high transaction costs"<sup>58</sup>. The paper says that "the cost-effectiveness of emission based circulation taxes is much higher, especially if they are km-based." A list of further instruments to be examined includes among others adjustment of the relation between taxation on gasoline and diesel, differentiated fuel taxes reflecting differences in fuel qualities, differentiated vehicle taxes in accordance with the environmental performance of the vehicle etc.

### **Our Comment:**

The paper admits the need for urgent policies for cutting down air pollution from road transport. This is very much welcomed to make transport more sustainable. The proposed differentiated instruments are an answer to the range of very different scenarios of problems, but it will take time to make them work. The option of slowly increasing fuel-taxes (CO<sub>2</sub>-taxes) could start tomorrow. Studies exist which already show they would be effective<sup>59</sup>. The proposed change of the tax systems in Member States is said underway<sup>60</sup>. In practice, however, as discussed in the energy chapter, there is still little concrete outcome for all the words said about eco-taxation, to put into effect the sort of changes that are going to be necessary. The proof of this

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<sup>57</sup> A more careful driving could be secured by a differentiation of the insurance premium with a greater bonus for save driving. Vehicles with higher total safety should be rewarded with lower rates.

<sup>58</sup> In addition fuel standards limit certain emissions. Vehicle inspection and maintenance programmes have been introduced at EU level. A series of R&D Task Forces has been set up, especially for the "car of tomorrow" focusing on ultra low or even zero-emission vehicles.

<sup>59</sup> Transaction costs are the costs for putting a certain control system into action.

<sup>60</sup> E.g. G. Ilgmann, *Gewinner und Verlierer einer CO<sub>2</sub>-Steuer im Güter- und Personenverkehr*, Ottobrunn 1998. The study summarises that there would be only first and second winners after an introduction of a CO<sub>2</sub>-tax on transport, all modes.

pudding is in the eating and so far there is still not much to eat!

#### **5.1.1.5 Costs of Noise Emissions.**

Many Europeans consider noise caused by traffic activities as their main local environmental problem, especially in urban and mountain areas. Traffic noise disturbs more people than any other noise source and its increased spread over space and time. Over 20% (close to 80 million. people) of the Union's population are exposed to day-time transport noise above acceptable levels, an additional 170 million citizens are exposed to noise levels which cause serious annoyance. Road transport noise is the dominant source. This overall problem is getting worse. EU-legislation is addressing this problem since 25 years, its legislation is amongst the most stringent in the world. However the effectiveness was low because of the increase in road traffic, worsening of traffic fluidity etc.

The paper says in order to put greater emphasis on the "polluter pays principle" economical instruments should have a greater role. This is not a widespread approach to be found in Europe. Noise charges, where used in pilot-projects, have been too low to encourage noise reductions. So the EU published in 1996 a Green Paper to stimulate public discussion on future noise policy. This paper questions the success of the existing legislation of the EU. Reasons for this include slow replacement of older, noisier vehicles, significant growth in traffic, the increased relative contribution of tyre and road noise and best procedure which does not reflect realistic driving conditions. The Paper recommends that noise should be more formally incorporated into legislation on roadworthiness testing of vehicles. Beyond that tyre noise must be addressed, and the use of quieter road surfacing materials. The UK response to this Greenpaper underlined there was no justification for community legislation in areas which traditionally had been exclusive concern of national, regional and local authorities.

#### **Final Comment:**

After nearly 20 years of discussion whether external costs of transport really existed, this Green Paper is at last a breakthrough<sup>61</sup>. This is only a first step, however. Very little since then has been moved into the direction of internalisation of external costs in road transport. One reason for this is clearly stated in the 1997 second report on transport and environment by the UK Royal Commission on Environmental Pollution, in saying: "These are not areas of policy in which the EU has competence under the Treaties"<sup>62</sup>.

It is an approach within a market economy. Transport systems are becoming ineffective. A main concern is congestion and its costs. They can be made effective by getting the prices right. Despite saying "Transport policy is at the crossroads", it does not seem to aim at a "fundamental reorientation of the European transportation system"<sup>63</sup>. But putting into reality what this Green Paper is saying, however, could

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<sup>61</sup> Introduction of Euro-norm I-IV.

<sup>62</sup> Information from the UBA (Umweltbundesamt) Berlin said, the document caused a sort of shock in transport organisations in Europe.

<sup>63</sup> To give an example: In the year's report, 1997, of the BGL (Bundesverband Güterkraftverkehr und Logistik) published Jan. 1998, it was said "the political new approach is aiming at killing down

start a process towards reorientation of the transportation systems. The EECCS report said that the internalisation of external costs in transport was a precondition of making transport more sustainable. In this respect this Green Paper is fundamental and therefore had been discussed in detail. The Commission should continue to push the discussion-process about the "polluter pays principle" in transport.

Clearly this should lead to the incorporation of important elements of external costs, despite being difficult to quantify, accepting that there is a large margins of error. The most important of these were loss of habitat, degradation of landscape, land destruction of cultural assets and disruption of communities. The upcoming discussion of "protection of the cultural environment" needs to be intensified.

The discussion on internalisation of external costs mainly in road traffic is on. The differentiated approach of this Green Paper certainly tends to be just and fair. Yet the rising demand for a quicker move concentrates on increasing the tax on mineral oil<sup>64</sup>.

In the follow-up of this Green Paper the Commission adopted on 22.7.1998 a White Paper "Fair payment for Infrastructure Use". COM (998) 486 final.

Commissioner Kinnock in a speech given in a meeting with the EP Transport Committee, on 1.9.98, was saying, that this White Paper is proposing the gradual harmonisation of approaches to charging for infrastructure use in all commercial modes of transport throughout Europe.

It is a framework within which Member States would be free to set charging levels. He said: "We are not in any sense advocating a centralised or rigid formulation... The new approach to transport charging is intended to gradually replace existing charging systems... The revenues derived from such charging could obviously be used to upgrade and, where appropriate, expand the transport infrastructure in all modes at local, national or Trans-European level... The current patchwork of charging arrangement should obviously... be replaced by a co-ordinated and harmonised approach across the EU Single Market that is based on the "user pays principle".

Commissioner Kinnock mentioned all the costs (operating costs, infrastructure damage, congestion costs, environmental and health costs) which the Green Paper of 1995 had worked out, and their variation according to time, place and terrain.

He was mentioning that the shift in transport patterns that would result from such changes could produce reductions in pollution, congestion and infrastructure damage estimated at about 50 billion ECU each year.

He concluded: "The charging principles set out in the White Paper relate only to commercial transport and whilst those principles could usefully be extended to cars

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road transport by making it three times more expensive." The same document reports about successful initiatives of the organisation to weaken or stop the realisations of what the Green Paper is wanting to achieve.

<sup>64</sup> Royal Commission on Environmental Pollution, "Transport and Environment" Second Report, 1997, p.4

or motor cycles, decisions on the pricing of non-commercial transport vehicles are best taken by the Member States in keeping with the subsidiarity principle.”

A gradual development and implementation is proposed in phases, of which the first one will be the establishment of a Committee of governments' experts.

T&E congratulated the Commission in principle with the White Paper. Yet it pointed to the weak points. Which national experts will be nominated? They have to formulate the framework for the basis of the new European charging system, which is formulated to be a “marginal, social cost-system”. Marginal cost components can include operating costs, infrastructure damage costs, maintenance costs, congestion and scarcity costs, environmental costs as air, water and noise pollution, accident costs.

These external costs pointed to by T & E are the ones which the Green Paper of 1995 had nominated. To formulate a general marginal cost system of these components is not easy. It needs competent neutral experts and is open to misuse by political opposing groups. The subsidiarity principle can spoil the whole effort, as happened with the Commission's proposal for taxing energy in 1990.

### **5.1.2 The citizens network, and its follow-up.**

This is the first time that the Commission has issued a policy document on public passenger transport. It is not intended to be some sort of “masterplan”, this paper is a consultative document. The Commission believes that the issue of improving public passenger transport should be much higher on the policy agenda. Measures must and will be taken at a local, regional and national level. The EU's role is to inform, to promote and to enable. T&E congratulated in public the Commission with this Green Paper.

This paper says that transport systems are designed to meet people's needs including the growth in demand for transport.

The Green Paper suggests criteria for modern, user-friendly public passenger transport (p.p.tr.) systems. It considers the role of target-setting in providing incentives to public transport operators. The Commission intends to refocus its research-development work on transport to give greater emphasis to efforts to improve p.p.tr. and to promote a door-to-door-service. This will require an assessment of how each project will foster an integrated and intermodal approach to transport. Quality requirements are limited, if the overall transport system is not integrated. Integration of transport systems is given high importance in this paper. Reinforcing of p.p.tr., says the paper, offers an alternative to private individual transport, of which the negative consequences are now obvious. However, the challenges facing p.p.tr. are enormous. Dispersion of residential areas, outdated equipment, lower staffing levels, an increasing street crime - all act to deter the use of p.p.tr.. Most surface p.p.tr. systems of Europe are heavily dependent on state support.

The paper has an own chapter on good practices of p.p.tr. in the EU, demonstrating

these as first steps towards the “citizens' network”. Future action on community level should be:

1. Disseminating know-how and setting targets,
2. Aligning R & D (Research and Development) priorities with user needs,
3. Making community instruments effective,
4. Modernising the regulatory framework.

In this chapter the following remarks are of interest: In an attempt to balance fulfilment of public service requirements - up to now mostly worked out by the state - and built-in incentives for quality and cost improvements (better served by deregulation methods) appear to have achieved positive results by tendering concessions. The Commission will consider how tendering concessions for the provision of urban and regional passenger services might be promoted.

5. Improving standards. Public transport should be accessible for all. Rules on technical harmonisation of equipment and on environmental standards, Europe-wide, are of particular importance. Transport infrastructure planning should include measures to give priority to ptr, including so called “pull” and “push” measures.

As a follow-up of this important Green Paper the Commission published in July 1998 a Communication “Developing the Citizens' Network” (COM 1998, 431 final, 10.7.1998) with the subtitle “Why good local and regional passenger transport is important, and how the European Commission is helping to bring it about.”

The following issues this paper is about:

- The European Commission has a clear vision of the benefits that will flow if local and regional transport fulfils its potential. These includes greater use of alternatives to private cars, faster door-to-door travel speeds, greater mobility to women, disabled people and elderly people, less pollution, less energy use and less CO<sub>2</sub> from transport and better value for money for public expenditure.
- The proposed programme will provide an extra impetus and some practical help for the many people and organisations across Europe who are working hard for these same objectives.
- The Commission will try to observe and evaluate whether local and regional transport is indeed changing in the right direction.
- Local and regional transport is primarily a matter of local, regional and national authorities. The Commission's role is to provide useful tools for authorities, operators and user groups, and to establish the right policy framework. The work programme of the Commission covers information exchange, benchmarking and the use of Community financial instruments. The Commission will act as catalyst in bringing, e.g. actors together in service integration of all transport modes as interoperability is most important.

- The paper says that the TEN-projects for Europe will be most successful, if there are good local and regional transport connections to its long distance links. The decision adopting the TEN-guidelines states that they are to be revised by 1999. As part of this revision the Commission is considering whether to include intermodal passenger terminals.

### **Our Comment:**

This communication is coming nearest to what the EECCS report had been asking for. The two papers on public transport must be seen as an important step towards sustainable transport for two reasons: 1) They aim at reducing car use and improving public transport, including walking and cycling, which result at reductions of kms travelled. 2) They aim at an open process of change, inviting local, regional and national authorities, transport operators and user groups to participate - the organisations on whom the development of an effective and integrated citizens' network must in the end rely. Yet two issues are missing: 1) The importance of "regional rail" for p.tr. seems to be underestimated. 2) Obvious limits of growing transport demands cannot only be answered by a functioning citizens' network. The importance of a new mobility education should be stressed again.

### **5.1.3 White-Paper, a strategy for revitalising the community's railways, 30.7.96**

The paper starts saying "The railways could do much to sustain mobility in the next century. However, while unease is growing about the negative effects of transport, rails' market share still declines. The main reason is dissatisfaction with the prices and quality of rail transport, despite encouraging examples of new services. Rail is felt not to respond to market changes or customers, needs, as other modes do." The paper gives a short history of the decline of rail saying the main reason would be that railways have been largely insulated from market forces.

A new kind of rail is needed. It should be first and foremost a business, with management independent and free to exploit opportunities, but answerable to failure. The paper gives some main lines of "new rail":

1. Rail should have sound finances, therefore Member States must fulfil their obligations to relieve the railways of dept and improve their finances. The Commission will apply community rules on state aids so as to progressively move the railways towards viability.
2. The extension of access rights to infrastructure would allow new railway enterprises to enter the market. The paper says that the EU-guideline 91/440 should work, which intends the separation of infrastructure management and transport operation into distinct business units.
3. Rail must ensure the provision of public services in transport. The Commission will propose the generalisation of public service contracts between the state and transport operators. It will study the practical issues of introducing market forces and will, in due course, make the necessary proposals.
4. Integration of national systems. Railways developed on national lines, building

up ways of national “rail cultures”. This is the reason for difficulties in operating across frontiers, inadequate planning of infrastructure and fragmentation both of the supply industry and of research. While progress has been made, integration is far from complete. The Commission is proposing measures to promote interoperability for conventional rail, advance technical harmonisation to help create a single market for railway equipment and to strengthen railway research. These measures are also necessary to ensure that rail can contribute fully to a European intermodal transport system. The Commission will emphasise socio-economic study proposals to support the transition from national to Europe-wide railway systems.

The paper summarises: The Commission realises that the provision of a framework at the European level is only one of the building blocks for revitalising the community's railways. A partnership with the management, workers, supply industries and Member States is essential for a railway renaissance to be generated. The Commission recognises that the required changes are fundamental and that whilst the community's role is important. Significant adjustments will have to be taken by all parties involved. It is clear that implementing these changes amounts to an enormous cultural revolution. However, rail has to change if it is to survive as a major transport mode into the next century.

A stiff timetable for action on community-level for research and recommendations, including new EU-guidelines, which have to be incorporated into national law, ends up this Green Paper.

### **Our Comment:**

Since the publication of the EECCS report public discussion on rail has become even more brisant. European rail systems have become a huge field of experiment<sup>65</sup> working on different models, national traditions still being influential. It seems that in this sector economical theories from a neo-liberal approach to state-interfering ideas are in experiment too, advising what to do or not to do about rail to make it work.

The EECCS report did not participate in this sort of discussion. It recommended to find a solution which makes rail a transport-mode most energy-efficient at best prices for users. The Commission seems to strictly follow the market-forces philosophy. The high priority the Commission pays to the revitalisation of rail is welcomed. There might be no masterplan which fits for each national rail. Interesting is the fact that international co-operation of rail still is a main problem. It is an historical fact that rail, being the first mass-transportation-system, had become a symbol of national culture. National rail-systems have indeed developed in different ways. There are differences in track systems, telematics, signal-systems, in organisation, administration and education of “rail-workers”<sup>66</sup>, etc. These facts had not been known until this phenomenon has been discovered in our days as one important reason for the difficulties of the co-operation of the European national rail systems.

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<sup>65</sup> See conclusions of the EECCS report, p. 1

<sup>66</sup> The second report on transport of the Royal Commission, 1997, ends with a public joint statement of the Commission together with the German Council of Environmental Advisors in asking the EU and national governments that there will have to be a large increase in the mineral-oil tax over time in order to produce a noticeable effect. The addressed institutions are asked to ensure that this increase is put into effect on a phased basis throughout the European Union.

#### **5.1.4 Trans-European Rail Freight Freeways, 29.5.97, COM(97) 242 final.**

One of the “next steps” at the end of the White Paper on revitalising rail says: “Urgent improvements are needed to infrastructure to facilitate freight transport.” A high level expert group was set to take forward this idea. The aim was to arrive at a common view of a European rail freight freeways concept. In this Communication from the Commission, the following key issues were identified:

- access to the infrastructure
- the single point of contact which deals with charging and train path allocation for the freeway
- performance levels
- border delays

To illustrate the background of the rail freight situation between 1970 and 1995: freight carried by Europe's railways declined nearly a quarter from 220 to 183 billion tonne-kilometres. Put in the context of an increase in the overall freight market of 70% it means that rails market share has halved in this time from some 32% to 15%. The majority of this increase in freight traffic has been carried by road which has led over the same period to an increase of 150% in road freight. If this trend continues for the next 10 years, the railway's share of the market will drop from 15 to 9% while the overall market expands by a further 30%. If these predictions are borne out, they suggest serious increases in congestion, pollution and accidents. Rail can make a contribution to the need for sustainable freight transport, particularly over long distances<sup>67</sup>. It is this specific market where the freeway concept could make a valuable contribution to reversing the trend of declining market share for rail freight.

International rail freight is characterised by national monopoly operators who have collaborative agreements with other national operators. These agreements result in a lack of clarity about responsibility or liability for cargo and frequently poor service as a result. Even companies for whom a rail solution would be ideal are often thwarted by the inability of the railways to provide the type of service that they require at a competitive price. To put together an offer requires negotiations with each national railway. The creation of Freeways is intended to improve the international rail freight product and can be done quickly and cheaply to enable rail freight to become a more attractive option. The concept implies that Member States and infrastructure managers would open access on a voluntary basis. The Freeways concept aims to overcome the purely organisational issues which hamper international freight. Some of the principal elements will be:

1. Creation of a “one-stop-shop”, the “Freeway-manager”. That could be a “virtual office”, with greatly improved communication between existing infrastructure managers. It should be neutral, non-discriminatory and have the right incentives for success, therefore being a completely independent body.
2. Train path allocations. This should realise the potential to reduce direct operating costs, maximise track capacity and optimise fleet operation. A revision of the

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<sup>67</sup> The second report on transport of the Royal Commission seems to be slightly optimistic on the development of the “British experiment” of rail.

TENs guidelines is planned, where rail projects which form part of a Freeway should be considered as being of common interest thereby making them eligible for support from the TENs budget line. The question of priority for freight and of quick decisions on the trucks must be solved.

3. Charging, should be simple and transparent, non-discriminatory and flexible. In any case a train operator on the Freeway will be provided with one price offer for the whole of the journey. Ideally such a charge could be differentiated to take account e.g. of congestion (peak/off-peak usage) as discussed in the Green Paper on "fair and efficient pricing in transport".
4. Border issues. The aim is marrying national timetables, the creation of end to end international freight paths, reducing delays. Ideally all rolling stock which is authorised for operation on one national infrastructure network, will be permitted to operate anywhere on the Freeway.
5. The Commission believes, that it is desirable for Freeways to be established incorporating quality and reliability criteria.

The whole concept is for voluntary implementation by infrastructure managers and Member States. It now remains on them to identify suitable routes and make proposals. So far a number of proposals are under discussion: Rotterdam--Milan<sup>68</sup>, Wolfsburg--Barcelona, London--Supron/Hungary.

The Commission would expect that Freeways will sooner or later link all Member States.

#### **Our Comment:**

The concept of Rail Freight Freeways is welcomed. It can be a step towards the functioning of a European rail system. It could very much contribute to the concept "road to rail". Yet the question of "limits to transport" remains open. How many Freeways crossing Europe will be sustainable - with regard to infrastructure capacities, noise emissions, etc.?

The discussed four important documents of DG VII (1-4) start at two crucial points the EECCS report was asking for: 1) Internalisation of external costs; 2) Transfer to environmentally better modes (stimulation of public transport, revitalisation of rail, "goods from road to rail".) The fundamental demand of the EECCS study is not to be found in these four documents: the need for reduction of transport on all levels of society. "Functioning" is a main idea behind these four documents.

#### **5.1.5 Climate Change - the EU approach for Kyoto (Com) 97, 481 fin.**

This paper concentrates on CO<sub>2</sub> emissions and the possibilities to reduce them. In this context transport is mentioned several times. "Because of the very long lifetime of investments in the transport and energy sector and because of the relatively long lifetime of many energy consuming goods (cars) a CO<sub>2</sub> emission strategy will need a much longer horizon for implementation than for most other environmental

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<sup>68</sup> In Germany it was an expression of standard to be "ein Bahner".

problems.” A rise of 39% of CO<sub>2</sub> emissions from transport for the time 1990-2010 is predicted. The paper points to the fact that this inherent tendency to continuous growth in transport will pose a challenge for the achievement of any emission reduction target. The paper then enumerates what the Commission is working at to answer this challenge giving a summary of the contents of the documents discussed above (see 1-4). The paper says that the realisation of these documents would bring a remarkable contribution of reducing CO<sub>2</sub> emissions from transport. It adds “The Commission is establishing a report on a strategy for the reduction in the growth of CO<sub>2</sub> emissions from transport that will be adopted in the near future”. Further on the paper says there are estimates of reductions in transport of 180 mtonnes (100 from pass. transport, 50 through intermodal shift, 30 mtonnes from other measures). Only once the important statement is made: “...reducing demand for traffic services will also improve ambient air quality, reducing noise, congestion and accidents.”

### **Our Comment:**

It is welcomed that in an important paper as the EU approach for Kyoto transport is acknowledged as an important and quickly increasing challenge for the reduction of CO<sub>2</sub> emissions. Yet, it has not been given the sharp analysis and the political push of the above discussed four documents.

The following 3 documents contain important passages on transport.

### **5.1.6 Communication on transport and CO<sub>2</sub>, COM 98, draft, 10.3.98**

This paper was recently published by DG VII together with DG XI in the follow-up of Kyoto.

The paper explains that a reduction of 50% of CO<sub>2</sub> emissions in the transport area - which the expected growth of transport will cause till the year 2010 - is possible. To succeed, actions in the following four areas would have to work:

- 1) Improving full efficiency of cars/lorries;
- 2) Internalisation of external costs in transport;
- 3) total liberalisation of rail;
- 4) improved integration of all transport modes.

The following remarks are to be found: “The longer term objectives should be to arrive at a less transport intensive path of economic development. In this context a stronger consideration of traffic generation effects.. of policies.. should be pursued.” “Road and air transport are the two main focuses for reducing CO<sub>2</sub> because of their share in emissions and/or because of their growth trends.” T&E in its Bulletin of April 98 argues, there could have been announcements to introduce now: Road-pricing, a new Eurovignette<sup>69</sup> laws for limits of CO<sub>2</sub> emissions for cars<sup>70</sup> an environment-tax-plan for Europe<sup>71</sup>. T&E concludes, the paper has been a missed opportunity and

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<sup>69</sup> More than 50% of tonne-kms of freight transport are transported over 150 km. A great deal of this freight is concentrated on high density corridors, particularly but not exclusively related to ports.

<sup>70</sup> A simulation was performed on a number of routes from Benelux to Italy. This simulation has identified potential for 17 additional freight train paths per day along this road at commercially attractive times and speeds averaging almost 60 km/h.

<sup>71</sup> Two proposals of the Commission had been already rejected.

values this as a step backwards compared to earlier documents.

### **5.1.7 White-Paper on efficient management in air-traffic, COM (96) 57 fin.**

The EECCS report ended with a checklist of urgent problems to work on. One important issue was air-traffic. With this White Paper the Commission at least started to pay attention to air-traffic. This was stimulated by delays in air-traffic which have increased since 1994. Secondly costs for safety-services in air-traffic exploded between 1986 and 1993 about 60%. Therefore this White Paper presents a first draft of an European efficient management policy in air traffic. The paper says this would be the precondition for the completion of the common market in air traffic, aiming at the social and economical integration and mobility of European citizens. The growth of air traffic is expected to be remarkable and obviously welcomed in this paper. It says: "The ideal would be to use the community's air-space in co-operation of the EU member states for civil and military purposes." So this paper is elaborating an air-traffic-control-management.

DG VII is preparing a Green Book on air-traffic and environment to be published in the end of 1998<sup>72</sup>.

This White Paper, too, is making proposals to facilitate the building of infrastructure for air-traffic, meaning airport building. DG VII wants more money given from TEN-budgets just for this issue.

#### **Our Comment:**

It seems, up to now, the Commission is willing to answer the exploding demand in air traffic. This was stimulated, to a great part, by ridiculously low prices, caused by the liberalisation of the market. These low prices by no means cover the real prices of air traffic. Not a single word on environmental effects of air traffic is to be found in this paper. Hopefully DG VII will proceed to "getting the prices right" in air-traffic before facilitating enlargements and new constructions of airports.

### **5.1.8 Agenda 2000, 15.7.1887, COM 97, 2000 fin.**

Transport is an underlying issue in this paper. The paper is reflecting the development of Europe beyond the year 2000, enlargement of the EU 15 to Eastern Europe being the key-problem together with the financial situation caused by this enlargement.

Nevertheless the paper in its introduction postulates to develop the "European model of society in the 21st century" and for this "how to best respond to the major concerns of the citizens and the primary of these concerns relates to the present unacceptably high rates of unemployment and social exclusion which tear at the very fabric of society." In this context the paper says: "This problem has been aggravated by the persistent low geographical mobility of people, both in the Member States and between them." Therefore the paper asks "how to encourage mobility?" The main aim of the paper is to create an enlarged market. "A fully operating single market is of crucial importance to the new member states as it offers potential for growth and

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<sup>72</sup> Discussions with the car-industry led by the Commission for a self-obligation of the car industry had been so far without success.

jobs.” The precondition for this fully operating single market is the big project of creating TEN.

The paper talks a lot of the pre-accession period for the East-European countries. It says: "It is vital to use the pre-accession period to the full to ensure that the applicants make adequate preparations for membership. This will require substantial investment in sectors such as the environment, transport.." Very important investments in the applicants transport infrastructure will have to be made to allow for the full benefits of integration to be reaped. Investment needs in transport infrastructure will be very high and an important part will have to be financed from sources other than national budgets. Substantial support will be needed from the Union for TEN-related corridors. The pre-accession strategy will have to encourage the development of transport infrastructures, particularly TENs, which are essential to the smooth operation of the internal market and common policies. The development of the TENs will necessarily have a different dimension on an enlarged Union.

The paper points again and again to the importance of developing TEN. The following statements are made: "Active steps will have to be taken whenever possible to secure external funding.. in sectors likely to generate profits, such as telecommunications, the TENs.." "Economic gains to be reaped from enlargement will depend on the adequacy of transport.. in acceding countries, which are necessary to support the increased trade and economic activity resulting from transport." These developments should improve economic welfare in the Union as well. It is said that the quality of transport will have to be substantially improved, notably by the provision of sufficient resources for network and fleet renewal. Such investment will stimulate demand from related EU industries. "Infrastructure development and re-equipment of the transport sector in the acceding countries should create real opportunities for construction firms and related industries, as well as for transport equipment manufacturers." "It is most important to promote trade investment and market integration - the main vehicles for growth and employment in this context." "The economic centre of gravity of the community will shift eastward... However, only industries for which the sunk cost is low and which are faced with a sufficient reduction of transport cost would be inclined to relocate from current Member States to areas in the candidate countries"<sup>73</sup>.

Adjustment tensions could generate protectionist reaction in both acceding and present member states. Inadequacy of transport and telecommunication networks could affect the functioning of the internal market and reduce the benefits from its enlargement<sup>74</sup>. "The creation of a competition culture" is necessary. In the likely event that such a "competition culture" will not have been fully achieved upon accession, problems could arise in enforcement." Nevertheless the paper states that "the modal split, initially much more in favour of non-road transport is moving quickly towards road, which runs counter the policy the union seeks to develop." But on the same page it also says: "urgent needs for development and upgrading of transport infrastructure are already apparent, especially in road, combined rail-road transport and airports, they are bound to increase with the expected further transport rise of flows.. Without investment from EU-15-countries severe problems of traffic

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<sup>73</sup> The recently published law on traffic reduction in the UK could have been copied.

<sup>74</sup> See T&E is reporting this fact in its Bulletin May 1998.

congestion are likely to arise, affecting the Union's overall traffic and policies"<sup>75</sup>.

**Our Comment:**

The authors of Agenda 2000 speaking about transport had not in mind what earlier documents of DG VII (see above 1-4) had been on. Not a single word on ecological consequences of transport is to be found. Enlargement of the EU shall be modelled following the well-known idea: first transport infrastructure enabling cheap transport, this then will lead to economic growth/jobs and create common welfare. Chapter 3 will come back to this issue. Looking on transport Agenda 2000 is a push backwards. The enlargement of the EU could be an unique chance to turn the "European model of society" towards sustainability<sup>76</sup>.

## **5.2 Transport and Jobs**

**5.2.1** Very little on this issue is to be found in the above examined documents.

Document 1 contains one small para: "Efficient and fair pricing implies that revenues from charges will fall in line with the reductions in underlying transport problems... Where higher charges might occur revenues could be returned to the economy.. this could lead to significant benefits in terms of increased employment." In document 2 one phrase on transport and jobs is to be found: "Around 8,5 million people are on the payroll of the transport and transport equipment industries."

Document 3 on the "new rail" has an extra chapter on "social aspects". Here it says: "There is great concern among railway staff about the social implications of restructuring, above all possible loss of jobs. This is easy to understand, as the railways will have to change enormously in the years ahead, if they are to compete with other modes and as employment has already fallen heavily. Indeed it declined by over one third in ten years, from 1,55 million in 1985 to 1,05 million in 1994. Such a decline is dramatic in itself and is a particular shock to a sector that traditionally gave life-long employment, with well-established career patterns. This being so, only a dramatic rise in performance will guarantee the long-term future of rail and of employment. The aim of community policy, as explained in this paper, is to bring about such a change. Failure to act will inevitably cause further deterioration in the position of the railways on the transport market, and could jeopardise their presence in major segments. Vigorous action to restore competitiveness is the only way to stable employment. Some personal may be redeployed to new activities, e.g. to relations with customers, travel information, security and assisting disabled and elderly passengers. Appropriate training will be required for these occupations. The prime responsibility lies with the member states.. However the possibility of a contribution from the European Social Fund should be examined.."

**Our Comment:**

Document 3 admits the huge problems for employment which the shape of "new rail" will cause. It promises some solutions. In the long run, "new rail" will cause losses of jobs.

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<sup>75</sup> Vol.II of the paper, p.20. Interesting in this context is the statement, that there is an undesirable "still high share of household income spent on food." Vol.II p. 29

<sup>76</sup> These benefits are: expansion of economic activity, broader choice for consumers, increased competition, more efficient allocation of factors of production. Vol.II, p.33

**5.2.2** DG VII of the Commission pointed to the fact, that “transport-jobs” for the transport area in itself is a problem and is suffering from liberalisation and competition too. The following information was given: Employment in the transport sector decreased in the first years after the liberalisation of the European transport market; the competition between companies and modes led to efficiency and productivity gains which were greater than the growth of the transport market. However, with the exception of railways, employment in the transport sector is now stabilising and sectors where the transport growth is greater than the productivity growth now show even an increase of employment (road freight and air transport). Because public transport is staff intensive (especially in the case of bus transport where there are limitations for rationalising), it is evident, that the improvement and enlargement of public transport supply can create jobs. About 1 million persons work in the public transport sector (and an additional 1 million in the railway sector). Enlarging public transport services by 10% could thus lead to a maximum of about 100.000 new jobs. In addition the construction of new infrastructure for public transport (underground lines, tramway lines) can help to save jobs in the construction sector<sup>77</sup>.

**5.2.3** The Öko-Institut Freiburg/Germany in June 1998 published a study<sup>78</sup> which seems to be a first serious input/output analysis<sup>79</sup>. This study concentrates on the German situation and on passenger transport, all modes. The study is contrasting two scenarios: 1) Trend scenario, which assumes a continuation of current transport policies<sup>80</sup>; 2) MOVE-Scenario: the overall amount of “ways” and “activities” are not changed in comparison to the Trend-Sc. The amount of pass./km is reduced at a range of 4,2% at 2010, but uses of modes change<sup>81</sup>. Among measures to achieve this are: Speed limits<sup>82</sup> enhancement increase of the gasoline tax, introduction of a kerosene tax, expansion of publ. tr. supply, urban planning schemes, that support publ. transport, promotion of car-sharing. This will result in effects like: - downsizing of cars (3-litre-cars), - additional revenues from taxes given back to households, - reduction of CO<sub>2</sub> emissions. The effect on employment: In the period 1990-2010 the MOVE-Scenario will create an average of 207.000 additional jobs.

### **Our Comment:**

The problem “transport-jobs” is a complicated one. Changes in transport patterns and modes will affect the “job-scene”, as our way of life and work is modelled by the

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<sup>77</sup> Vol. II, p. 44

<sup>78</sup> Dir. G. Kuneman of T&E in Bulletin Aug. 1997 commented Agenda 2000: “We should not try to bring CCE economies and policies up to current EU standards. Instead of paving the new member states with motorways, pushing large-scale farming and further centralising production, the new “enlarged” standard should rely much more on biological agriculture, on clean production, on environmental accounting and on sustainable transport. This way the new EU could build on Western experience while not making the same mistake the West has made. The existing assets in CCE like the dense rail network, while maintaining the diverse landscape and biodiversity of which CEE is still so rich. Before enlarging the Union we should probably first broaden our minds.”

<sup>79</sup> Interview with a staff member of DG VII in March 1998.

<sup>80</sup> “Main gain future: New employment opportunities through a sustainable transport system.” June 1998.

<sup>81</sup> Similar work is on the way in Austria.

<sup>82</sup> This means: continued construction of roads, urban/rural; planned installations in the rail sector are being completed (high-speed rail): no major change in costs for car use; air transport increases.

structures of mobility and transport we use. Jobs would get lost in one area, new ones might be won in another area, if the transport systems get changed. Yet, it is very difficult “to make the bill”. But the information given by DG VII as well as the results of the Freiburg-study point to the fact, that reducing individual passenger transport and improving public transport might create new jobs. The dimension and effectiveness of this process has to be proved by further research work. DG VII had planned to do important research work on “transport-jobs” in 1998, but this project had been postponed to 1999. Hopefully the importance and urgency of further research in this area will be taken into account by DG VII.

## **5.3 Trans-European-networks on transport (TEN-T)**

### **5.3.1 What are TEN-T's?**

The famous “White Paper on Growth, Competitiveness and Employment” (so-called “Delors White Paper”), published in 1993, considered TENs as the key to a solution for job creation. TENs are three sets of plans covering transport, energy and telecommunications, designed to encourage the development of infrastructure in terms of needs of the EU as a whole, rather than on a country-to-country basis. The philosophy behind transport TENs is to adapt existing national transport infrastructure into cross-border networks which can provide transport in Europe as a “single country”. For the internal economic market there should be sufficient infrastructure to enable the free movement of people and goods within the community. In general, transport infrastructure has developed along national lines to provide links between towns and cities within a country.

The principles behind TENs were first outlined in detail in the Commission's “White Paper on the future of the Common Transport Policy“, Dec. 1992 (COM 92, 494 fin). The first official TEN documents were published in the summer of 1992 in 3 separate categories: roads, inland waterways and combined transport. There had been a separate paper on high-speed rail in 1990, though not referred under the term TEN. Subsequent documents covering rail, air and sea transport were added in 1994, with rail divided into conventional and high-speed rail.

The basis of TEN is a series of masterplans which set out what officials and politicians believe would be an adequate European transport network. They are chosen by national transport ministries and worked into masterplans by the European Commission. These national plans are based on a mode by mode basis - the opposite of an integrated European approach.

For the masterplans of roads already in 1984 the European Round Table of Industrialists (ERT), which groups together 45 of Europe's biggest companies, published a report called “missing links”, a call on the European authorities to build a number of new transport links (mostly road) to form a European transport network. A few years later it published a follow-up document called “missing networks” and there is a strong resemblance between these recommendations and the then TEN-masterplans<sup>83</sup>.

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<sup>83</sup> Pass. car transport decreases at 10%, air transport remains it at the same level, rail increases at 150%!! (“regional rail” is the “new rail”), publ. transport and cycling increase at 30%,

In its first TEN road document (COM 92, 231) the Commission said, that in drawing up its proposals it took into consideration the recommendations adopted by “the Motorway Working Group”, which it explained was entirely made up of road and industry organisations and unions, but no environmental groups. In fact, the Commission had a very poor record on consulting non-road NGO’s at all stages of the TEN-process.

The first masterplans were pushed through the EP just before the Maastricht Treaty was ratified, agreed in 1991 and ratified in 1993, which formally introduced concrete plans for the implementation and decision-making process for TENs. These first masterplans had been allowed to go ahead without the decision-making structure envisaged by the Treaty. Since the publications of the first masterplans in 1990-92, environmental groups have become increasingly alarmed at the ease with which new schemes have been added to the plans. When the draft legislation went to the EP, MEPs included new schemes with the result that the road masterplan document grew in size. NGO’s had been concerned that many of the schemes which have been added have a doubtful claim to be of “community interest”, the main qualification for inclusion to the TEN masterplans.

The Treaty of Maastricht has 3 articles on Trans-European Networks (Art. 129b, 129c, 129d). It says: “To enable citizens of the Union, economic operators and regional and local communities to derive full benefit from the setting up of an area without internal frontiers, the Community shall contribute to the establishment and development of trans-European networks in the areas of transport, telecommunications and energy infrastructure. In the following we speak only on trans-European networks in transport. Within the framework of a system of open and competitive markets, action by the Community shall aim at promoting the interconnection and interoperability of national networks as well as access to such networks. It shall take account in particular of the need to link island, landlocked and peripheral regions with the central regions of the Community” (art. 129b). The Treaty demands the establishment of guidelines for the TENs and proposes the Cohesion Fund for financing TENs from the EU side.

The official proposal which set out the guidelines on how TENs are to be operated was published by the Commission in August 1994 (COM 94, 106 fin). This was discussed by the EP in 1994/95 and then went to the Council of Ministers in summer 1995. The EP and the Council finally made the decision on the guidelines and masterplans 23.7.1996<sup>84</sup>. To come to this agreement was no easy work. The EP had made a number of amendments to the Commission's original proposal, which the transport ministers rejected. The legislation had to go back to the EP for a second reading before going back to the Council. This procedure watered down the effectiveness of the environmental safeguards in the final guidelines.

These guidelines are an important issue for the implementation of TENs. Therefore this case study must have a look at it. In the introduction of the guidelines it is said:

“Whereas the establishment and development of TENs contribute to the attainment of major Community objectives, such as the smooth functioning of

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walking at 22%.

<sup>84</sup> Highways 100 km/h, motorways 80 km/, inner-city 30 km/h.

the internal market and the strengthening of economic and social cohesion  
.. have also the specific objectives of ensuring sustainable mobility of persons and goods under the best possible social, environmental and safety conditions and integrating all modes of transport, taking account of their comparative advantages, whereas job creation is one of the possible spin-offs of the TENs  
.. Whereas it is necessary to identify projects of common interest.. whereas only projects which are potentially economically viable should be taken into account  
.. Whereas Member States need to take account of environmental protection when implementing projects of common interest by carrying out environmental impact studies pursuant to Council Dir. 85/337/EEC of 27.6.85 on the assessment of the effects of certain public and private projects on the environment and by applying Council Dir. 92/43/EEC of 21.5.92 on the conservation of natural habitat and of wild fauna and flora  
.. Whereas authorisation for certain public and private projects likely to have a significant environmental impact should be granted only after prior assessment of that potential impact, in compliance with existing Community rules..”

### **Our Comment:**

These are important statements on environmental impacts of TEN-projects put into the introduction to the guidelines. Beyond that there is a specific article added on environmental protection, too.

Art. 8, Environmental protection.

1. When projects are developed and carried out, environmental protection must be taken into account by the Member States through execution of environmental impact assessments of projects of common interest which are to be implemented, pursuant to Dir. 85/337/EEC and through the application of Dir. 92/43/EEC.
2. The Commission:
  - a) will develop appropriate methods of analysis for strategically evaluating the environmental impact of the whole network
  - b) will develop appropriate methods of corridor analysis covering all relevant transport modes without prejudice to the definition of the corridors themselves. In the development of the corridor concept account should be taken of the need to link all Member States and regions into TENs and in particular the need to link island, landlocked and peripheral regions with the central region of the Union.

The result of this work shall, as and where appropriate, be taken into account by the Commission in its report on the guidelines provided for in Art. 21.

Important for further discussions on TENs are Art. 18 and 21 of the guidelines, too.

Art.18 says: “A Committee on TENs.. is hereby set up at the Commission, it shall be composed of representatives of the Member States and chaired by a representative of the Commission. The Committee shall exchange information on the plans and programmes notified by Member States and may consider any question relating to the development of the TENs.

The Commission shall report every 2 years to the EP, the Council, the Economic and

Social Committee and the Committee on the Regions on the implementation of the guidelines.. The Committee.. shall assist the Commission in the preparation of its report.”

Art. 21 says: “Every 5 years after the entry into force of this Decision and for the first time before 1 July 1999, the Commission shall submit a report to the EP and the Council indicating whether the guidelines should be adapted to take account of economic developments and technological developments in the transport field, in particular in rail transport.”

### **Our Comment:**

Developments in the environmental areas, to which the guidelines should be adapted, too, are not mentioned.

This very important document on TENs contains maps of the masterplans, showing the planned infrastructure for road, rail, inland water navigation, airports and combined transport<sup>85</sup>.

- a) The planned roads are only motorways or roads of near-motorway standards, which will end up at around 65.000 km, of which about 15.000 km will have to be newly built<sup>86</sup>.
- b) The plans for rail-infrastructure show an impressive dense net of high-speed-rail put onto the EU. Plans for new conventional rail show very little new lines<sup>87</sup>.
- c) The map on future EU airports is impressive: It shows 31 international, 52 inner-European and 192 regional airports.

The document contains a list of 14 top-priority schemes of which construction should begin as soon as possible, the Conference of transport ministers in Essen, December 1994, had decided on<sup>88</sup>.

Further 21 projects should also be considered to be of high priority.

### **5.3.2 Financing TEN's**

National governments will have to find most of the money, but the EU can give up to 10% for any one scheme<sup>89</sup>, or up to 50% for a feasibility study. The figure quoted for the cost of the entire TEN is about 400-500 Becu over the next 15 years. But as the 14 highest priority projects are expected to cost 91 Becu<sup>90</sup> this is likely to be too low. The problem is that even 10% of a major transport scheme is a large sum, and the

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<sup>85</sup> For the following informations see “Ten questions on TEN”, T&E, August 1995.

<sup>86</sup> Decision nr. 1692/96/EC of the European Parliament and of the Council, of 23. July 1996, on Community guidelines for the development of the trans-European transport network.

<sup>87</sup> 14 maps on road, 15 maps on rail, 1 map on inland navigation, 7 on airports, 3 on combined transport.

<sup>88</sup> These are figures of 1995 which might have changed - so another information speaks of 20.000 km of motorways to be newly built. Main areas will be: Portugal, Spain, South-and Southwest France, Northern Italy, UK, East-Germany, and a total new net on Ireland and Greece.

<sup>89</sup> In North of Finland and Ireland, Greece and the Netherlands.

<sup>90</sup> 1) High-speed train North-South Berlin–Brenner Tunnel–Verona 2) High-speed-train Paris-Brussels-Köln/Frankfurt-Amsterdam-London 3) High-speed-train Madrid-Barcelona-Montpellier, Madrid-Vitoria-Dax 4) High-speed-train Paris-border/East.

EU does not necessarily have all this money. Therefore the Commission would like to get most funding from the private sector, but the scope for this seems limited<sup>91</sup>. There are limitations on public funding from the EU, too. It must not lead to the Community's spending targets, agreed at the 1992 Edinburgh summit, being exceeded, and national spending must respect the criteria laid down in the Maastricht Treaty, which says public deficits must not increase.

### 5.3.3 Pan-European-Networks (PENs)<sup>92</sup>

“Connecting the Union's transport infrastructure network to its neighbours, towards a co-operative pan-European transport network policy”, COM (97) 172 fin. 23.4.1997 is the EU-Communication on PENs.

The summary of this paper of the Commission starts in saying: “Connecting the Union's transport infrastructure network to its neighbours requires a co-operative pan-European transport network strategy. This pan-European network is vital for competitiveness, growth and jobs. The Commission strongly believes in a comprehensive approach to the pan-European network.. In addition to Western Europe, the pan-European network will cover the countries of Central and Eastern Europe, including the European countries of the Former Soviet Union and the Union's partners in the Mediterranean.”

The aim is 1) to create for Eastern Europe pan-European corridors and areas as a framework for ensuring efficient transport services, 2) the extension of the TENs to the applicant countries of Eastern Europe as part of the pre-accession strategy, 3) a common European approach to transport technology, in particular to ensure interoperability, 4) encouragement of intelligent transport technologies throughout the pan-European network, 5) co-operation on research and technology. The paper says: “Socio-economic evaluation and strategic environmental assessment form the keystone of any European-wide network strategy and must therefore be integrated into the 5 themes set above”<sup>93</sup>.

In 1994 on the second pan-European transport conference of European Transport Ministers in Crete evolved the concept of “corridors”, the so-called 9 “Crete-corridors” were set for Eastern Europe transport infrastructure, plus the “water-motorway” of the river Donau. The paper says: “A pan-European corridor must be multimodal in its concept<sup>94</sup>, on the basis of a socio-economic and environmental analysis, might give preference to certain modes of transport.” The 9 corridors will contain 18.030 km of road - mostly motorways - 20.290 km of rail, 38 airports, 13 seaports, 49 river ports, all to be finished 2010-2015. They cover an area from South of Finland to Constantinopolis, including a swing to the East to St. Petersburg - Moscow - Kiev. They shall only form the basis of former work. The paper says, the concept of corridors had and continues to have a significant influence on international financial institutions support for transport infrastructure investments. These financial groups

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<sup>91</sup> It can be more for schemes in the 4 Cohesion Fund countries: Greece, Ireland, Portugal, Spain.

<sup>92</sup> A very recent information by T&E says that it will be at least 110 B ECU.

<sup>93</sup> Especially as the high-profile Channel Tunnel which is 100% privately financed is not proving to be the financial success the banks and investors hoped for.

<sup>94</sup> This shortening was done by the author of this chapter.

have supported efforts to turn upcoming plans of the corridors into reality. The paper says: "Well developed and modern infrastructure is vital to the competitive strength of any economy. The arguments in favour of TEN within the EU apply equally to their extension on a pan-European basis. The extension of trans-European networks to our neighbours can contribute directly to sustained and sustainable improvement in growth and competitiveness and, therefore, to employment and social well-being through reduced costs and better export potential, both in the EU and in the countries concerned." "Transport has always been an important sector for innovation in our economies."

A set of criteria were set out for the constructions of the corridors, presented at the Crete Conference, they are now accepted for important infrastructure projects in Central and Eastern Europe. These criteria were fixed 9 months after the guidelines of TENs and are worth a comparison. They are much shorter as the guidelines on TENs, the para on "financial and economic" is dominating, the para on environmentally sustainability says: "... be selected with a view to contributing to strike an appropriate balance and minimising environmental impact. The direct, indirect, induced and cumulative effects of the project and its alternatives should be studied. This should amongst others, include the effects on alternate modes of transport resulting from diversion caused by the project, the induced traffic effects and potential network effects of the project as well as the contribution of the project to a balanced infrastructure, allowing sustainable mobility, causing the least negative environmental effect possible."<sup>95</sup>

### **Our Comment:**

Concerning environment TENs and PENs are treated differently. This is an important fact. Sustainable mobility of PEN-projects is simply described as a "balance of transport-modes." The relatively elaborated approach of the TEN-guidelines concerning environmental impacts of TEN-projects (see above) doesn't seem to be relevant for PEN-projects. Apparently there is no awareness of ecological problems in PEN infrastructure projects. This is a tendency which demands attention and observation. In an interview with a civil servant of DG VII this observation was confirmed.

In a series of recent speeches made by Commissioner N. Kinnock, the Commission's transport policy was made quite clear.

On the summit in Amsterdam, 31.3.98 he said: "Nothing symbolises or serves the integration of Europe better than the physical linking of transport systems, and nothing is more important for the development of the applicant countries than the achievement of efficient infrastructures... The conventional source of infrastructure investments - the public sector - is not going to be able to bridge the gaps because of the large investment that is needed and... because of the limited time in which much of it must be secured if East and West Europe are to gain the transport infrastructure needed by modern economies..." He said, the pan-European Helsinki-Conference, June 1997, endorsed the approach of the PENs-corridors<sup>96</sup> and this conference

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<sup>95</sup> p.2 This important remark is only to be found in the text once. The criteria for PENs do not include it.

<sup>96</sup> The maps of the 9 Crete Corridors are describing a road/rail-parallel-infrastructure in each corridor, nothing in detail is yet worked out in these maps.

added as an innovation the idea of pan-European areas<sup>97</sup>. “However, the greatest challenge is to get that network in place within an acceptable time scale and, plainly, achieving that will depend to a great extent on the financial possibilities.” “The Crete corridors alone will be about 50 Becu over the next 15 years. This is slightly less than 1% of the total GDP of the 10 applicant countries. But at least a further 100 Becu will be needed to cover the most urgent transport infrastructure needs on the rest of the network, including in urban areas. This means, that total transport infrastructure investment in these countries needs to rise sharply from its current level of just over 1% to 2% annually.” There would be help from international institutions, but none of them would be able to give the grants needed, “simply because... developments which are fully justified by their broader benefits to society... cannot raise enough revenue to be self-financing... a major responsibility lies with the EU”<sup>98</sup>.

Commissioner Kinnock presents Public-Private financing and development Partnerships (PPPs) as a solution: “If private investment is not mobilised, this continent will not get the advance that is urgently needed in any recognisable period of time... the private sector has an important part to play in improving project design in order to meet customers, needs at the lowest costs to the tax payer. It should therefore be engaged in partnership from the earliest time in the life-cycle of a project...” The speech ends in saying: “... in transport... the product of the whole is greater than the sum of the parts. The countries and businesses of the Union have every possible practical interest in providing support for the efforts to develop networks in place of patchworks.”

- on a PPP Conference in London, 24.3.98 Commissioner Kinnock said: “My objective... is to implement the TENs as quickly as possible in order to ensure we have a European Transport system that can support the European Single Market: I advocate PPPs because they are one essential element in achieving this objective... Why is it that these long-term high-risk projects are not being financed from the vast pool of long-term high-risk finance available from institutional investors in Europe, such as insurance companies and pensions funds?”

- on a speech in Munich on transport and the Alpine Region, 18.5.98 he said: “One thing is clear.. there are no single region or single country answers. Patchy uncoordinated action by individual States or parts of States will not be a sufficient response.. Planning together and working together is not just desirable - it is a critical necessity...”

- in a Press Briefing from the Commission, 24.6.98, Commissioner Kinnock was reported to have underlined this policy again for the necessity “to increase the efficiency of the Single Market and maximise the potential of European trade... Borders cannot open properly and goods and people will not move freely, unless the roads, railways, airports and ports of the EU and of Central and Eastern Europe are functioning effectively... We cannot afford, not to succeed.” The aim would be “to achieve a balanced development of all transport modes so as to promote sustainable

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<sup>97</sup> Last page of the paper, rather small print.

<sup>98</sup> A tenth was added to the 9 ones of Crete, which will run from Southern Germany through Austria across the Balkans to Greece and Turkey.

mobility throughout the enlarged Union.” “Sustainable mobility” being the right balance of transport modes was exactly what the criteria for PENs had said.

- on the Cardiff summit, June 1998, the progress on the first 14 TEN-projects of high priority was presented and Kinnock said again: “TENs being one of the major ways of supporting growth in the EU and an essential complement of the single market. The TENs have an important role in a medium term employment strategy...”
- In the preface of the Commission's report on PENs-corridors in Helsinki, June 1997 he had said: “It is our generation, who has to build up Europe as a new continent.. This new continent will not come into being without sustainable transport systems - we need functioning modern transport systems.”

### **Our Comment:**

The vision of TENs and PENs working together seems to be that of a huge Big Ben Clock, where all inside wheels, smaller and bigger ones, work together most effectively. Interoperability is important for the functioning of these systems. The procedure of deciding on and implementing of these immense infrastructures are up to now lacking democratic processes<sup>99</sup>. Even insiders are little informed about these plans, maps and the obvious time pressure these projects are worked on. The underlying philosophy “transport is boosting economy, creating jobs and promoting regional development and welfare for Europe” does not have the scientific support it pretends to have (see III.4). It seems that even the Commission itself is split about this issue. A report of DG II, 22.11.96<sup>100</sup> is rather cautious about the predicted outcome of TENs for economic growth and job creation and recommended further analysis and research.

The development of a legal binding EIA to be incorporated into the guidelines of TENs and into the criteria of PENs is needed. This should not only be worked out for each project, but must be done for the wider and cumulative implications of a set or a set of schemes like TENs and PENs. Furthermore the “protection of the cultural environment” should be incorporated into the guidelines of TENs and PENs. These infrastructures at least raise the question of the relationship between mobility patterns/transport systems and culture.

### **5.3.4 Transport infrastructure and economy.**

As we have seen the main argument for the gigantic investments in TENs and PENs is saying they will stimulate the economy and job creation - will they?

Only some remarks can be made on this politically brisant issue.

**a) *The background:*** For many years there has been an apparent widespread acceptance of the idea, that putting money into road building will boost economic growth and therefore generate employment. As the EECCS report already pointed

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<sup>99</sup> A net of seaports and transport lines for the Baltic, Black Sea and Mediterranean.

<sup>100</sup> PHARE Programme. But this will not be sufficient as accession comes - and that reality is fully recognised in the Commission's Agenda 2000 proposals, said Commissioner Kinnock.

out, in the prevailing theories of economics the cost-effective transport of goods is an essential factor without which economic growth is impossible. It is well known that there was a correlation between growth of GNP and growth of transport in the European post war period.

At European level this was enshrined as legally accepted wisdom in the “White Paper on growth, competitiveness and employment,” (so called “Delors White Paper”) in 1993, which claimed that the TENs will stimulate economic growth, employment and regional development in Europe<sup>101</sup>. This was another time confirmed on the Luxembourg summit. So this is an accepted wisdom, confirmed in the guidelines of TENs and agreed to in the messages of Commissioner Kinnock's above reported speeches.

**b) T&E has done some work on this issue.** In a joint effort with CE<sup>102</sup> it organised a high level expert conference in Brussels, 8.12.1995. A report of this seminar “Roads and Economy” summed up the findings of the conference. It says:

“Since the late 60s in economic circles it has been more and more known that there is no clear scientific proof supporting the widespread idea “roads mean jobs..” The EU has for years used this wisdom as justification for building new roads and assisted such projects through its Cohesion Fund, the Structural Funds and the European Investment Bank... Yet this approach seems fundamentally flawed. Environmental movements and transport economists have been questioning this accepted thinking on road building and economic growth quite a time, but the message is still not getting through... There was a remarkable amount of agreement on the following conclusions:

- There was complete agreement... that there is insufficient evidence to suggest that road building in general can boost economic growth and employment (though there is also insufficient evidence to suggest categorically that it cannot). Some roads may be justified on project specific criteria, but calls for a general increase in road investments to achieve economic goals cannot be justified on scientific grounds. Even new roads which have a sufficiently high rate of return to justify their construction do not necessarily generate extra employment. There might instead be a shift in production factors away from labour towards more or faster transport... In general, the impact on employment rates depends on specific characteristics of a regional, national or international economy...

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<sup>101</sup> T&E Bulletin, March 1997 reported on a UK-petition to the EP, signed by several thousands citizens complaining about the total lack of information in TENs planning, in this case demanding for information about the high-speed-connection from London to the channel-tunnel. German citizens in the same EP-petition wanted information about the planned connection Munich-Verona. The MPs solidarised with this petition and criticised the “non-way” the EIAs are up-to-now used in planning TEN-projects., as well as the non-existing transparency of decision-making processes in defining TEN-masterplans.

<sup>102</sup> T&E-Bulletin, Aug. 1997 reported on a protest of the Hungarian Traffic Club, which said, that much of the planned TENs would be to provide access for EU goods to transit through Eastern countries only..” NGOs are therefore campaigning for the local and secondary networks (both rail and road) to be upgraded first before looking at investment in big capacities trunk corridors.. the building of which would consume all available infrastructure investment at national level..”

- The ground rules of transport policy making are changing. Three developments in particular are important. Firstly there is a growing recognition that transport users must be gradually made to pay the full costs of their use, including social and environmental factors. Secondly, the methodology used to analyse the balance between the costs and benefits of a new transport project are in urgent need of review to take into account social and environmental factors that are better identified and quantified now than they were a couple of decades ago. And thirdly, the economic situation has reached a degree of development which means new transport infrastructure has a different impact on it now than it has done in the past.
- This third point is worth some explaining in the context of roads. In the early stages of a road network, a new road brings increased accessibility and reduced travel times. However, after many years of road building, a new road is merely a relatively small addition to a large network, with the result that the enlargement of the network's capacity is a bigger factor than the increase in accessibility. The law of diminishing returns appears to supply here, in that every new road does that much less to increase accessibility and reduce travel times than the previous one.
- The main implication of these changes in the transport-political climate is that a new pricing policy is needed... Once more accurate prices are being charged, we can get a better indication of the true demand for transport. Politicians and policy makers should therefore stop using arguments which are out of date, to justify current transport planning and should recognise that transport really has changed.
- At European level, this has fundamental implications for the TENs.. the current.. process... should be working on legislation stipulating that each TENs project should be evaluated individually on its own merits and demerits on the basis of an up-to-date cost/benefit analysis." For this
- traditional CBA methodologies must be updated to take into account many effects of road building which have up to now been largely left out of the analysis:
  - traffic generating effects of new infrastructure
  - a link between efficient pricing of traffic and CBAs
  - distributional consequences of costs and benefits
  - in addition to a CBA - calculated time savings e.g. for road freight transport could be better served by restructuring of logistical systems
  - internalisation of external environmental costs of all types.

**Our Comment:**

These recommendations indeed sound reasonable. They should be worked further on by Unit R&D of DG VII.

**c) *T&E Bulletin, March 1998, reported on an new research,*** done by the UK Standing Advisory Committee on Trunk Road Assessment (Sactra), which proves the under b) reported findings of the T&E seminar e.g. macro-economical judgements on the benefits of transport infrastructure is criticised.

This UK report explicitly points to the fact that TENs will not have the consequence of boosting economy and jobs. This was said aiming at the Commission's preparation for Cardiff.

T&E Bulletin, March 1998, reported on the Cohesion Funds, too, saying that money given for TEN<sup>103</sup>, was about 10 mrds of ecu given for roads; rail was given less than 7 mrds, ports 500 mill. ecus, combined traffic 200 mill ecus. For Eastern Europe four times more money was given for constructions of roads than for rail. T & E summarises: "What about the message of DG VII, TENs would be mainly in favour of rail"?

**d) Important information was given in an interview with a staff member of DG VII**, September 98, saying that the wisdom "roads mean jobs and growth of economy is debated." DG VII since 1994 has opened a new Unit "Research and Development in transport." This Unit is growing rapidly in work and resources. Within the Fifth Programme it has got 250 mill. ECU to spend on research work. On top of the agenda was put the issue "how to de-couple economic and transport growth." This work of the new Unit of DG VII is a sign of hope.

**e) High Speed Rail - Energy Efficiency Aspects<sup>104</sup>**

The EECCS report already pointed to the fact that for rail the best mode would be a regional "light" train, running at 140 km/h, using half the energy of an ICE train of the same seat capacity. Although speed is an advantage in wooing passengers from air - and car - to rail, beyond a certain speed it reduces the energy efficiency of the train. Despite the ongoing enthusiasm for high speed rail, the ICE and TGV with their present occupancy factors spend about as much energy carrying a person a given distance as a car, and only slightly less than the most recent aircraft<sup>105</sup>.

These facts since have not changed. It is known that TGV and ICE have not attracted as much passengers as expected<sup>106</sup> and are therefore in economical troubles. There are several reasons for this:

The ICE concept realises very high speed (up to nearly 300 km) on a track which had to be prepared for this, which was and is very expensive<sup>107</sup>. This money has no easy return. The tracks made fit for these speeds can only partly be used along the line on this peak speed, because of halts being necessary in too short distances and because of many tunnels to be passed in the middle-mountain-area of Germany. Both is forcing the trains to slow down and to speed up again. These processes of reducing and enforcing speed of relatively heavy trains - necessary for safety reasons for the peak-speed-period - are most energy-cost-intensive ones and the average speed on the whole line does not increase that much caused by with these "stop-and-go processes." Best solution would be continuously rolling trains at middle speeds - around 200 km - with halts only around each 200 kms. A train running at a speed of 300km/h needs double energy to run than a train rolling at 200 km/h speed.

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<sup>103</sup> Nr. II/469/96-EN.

<sup>104</sup> See p.16.

<sup>105</sup> Centre for Energy Conservation and Environmental Technology, Delft.

<sup>106</sup> From the Structure Funds, TEN-budget and European Investment Bank.

<sup>107</sup> The official information of DG VII on TEN says, that 80% of the money shall go to rail.

The costs to make tracks fit for trains of 200 km/h speed are much less than the costs for tracks fit for trains running at 300 km/h.

**Our Comment:**

The high speed network of TENs and PENs in the planned very high speed version are not sustainable.

***f) High Speed Rail: Effects on passenger and freight traffic running on high speed networks***

There is a fundamental problem of both rail modes, passenger and freight traffic, to be organised on a national or European net. Freight rail, being sustainably most effective, needs long, slow (50/60 km/h), non stop rolling trains<sup>108</sup>. To combine this rail mode with high speed passenger rail on the same tracks is very difficult<sup>109</sup>. This has as a consequence to build up separate, border-passing Euro-networks, one for freight rail, the other for high speed pass. traffic. The maps on the TEN masterplans for rail does not show such an integrated double shape of Euro-tracks, which would first have to be simulated. Up to now this has not yet been possible within German national Rail, and each EU country on this problem is having different problems. The EU Freeway concept therefore has its limits of possible capacities using the same tracks as the High speed rail. The Freeway will have difficulties to get enough slots on the tracks for winning over enough freight from road to be profitable. In Germany a separate time use of the same tracks at the moment is realising a sort of patchwork of freight and passenger rail, causing time delays - waiting times - for both modes<sup>110</sup>.

**Our Final Comment:**

It seems that there is a real need for further research work on the TEN and PEN masterplans. The huge investments e.g. needed to make rail transport fit for the very high speed conception of TENs might eventually have a small return, debts might be the result.

Companies of building road and rail infrastructure and industries of high speed rail trains will make profits. To bring up economy and lasting job creation by building huge transport infrastructures like TENs and PENs might not be the way to “build a new Europe.” Enlargement could be the unique chance to swing over to a concept of building up a sustainable Europe.

The above mentioned projects the DG VII Unit “Research and Development” has started to work at indicates, that this important unit seems to understand that “the tide is turning.” DG VII should take up the line it had started in the examined documents 1-4, although it might possibly have more hard times in co-operation with other directorates of the Commission.

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<sup>108</sup> The following statements are based on an interview with Dr. G. Ilgmann, author of the report “Bundesbahnreform” (reform of German Rail) worked out for the Committee “Bundesbahnreform” (reform of German Rail of the German Bundestag).

<sup>109</sup> EECCS report, p.56.

<sup>110</sup> Peak times e.g. weekends are overbooked, but during the week there are running fairly often empty ICEs every hour on the quick lines in Germany.

## 5.4 Some aspects of the social context of transport

### 5.4.1 The four freedoms

Commissioner Kinnock in the above mentioned speech in Munich on “transport and the Alpine Region” 18.5.98, said: “Our generation is fortunate in that it enjoys greater freedom of movement than any other in history and we derive huge benefits from our unprecedented mobility. It is ironic but inevitable that we only can retain these liberties and their advantages if we accept restraints and if we develop alternatives to the present patterns of transport use and behaviour.”

“Freedom of move” for persons, goods, capital and services are the very four freedoms which are the fundament of the Common Market and up to now the fundament of building the European Union.

The words of Commissioner Kinnock are reflecting a principle tension between freedom and responsibility. Freedom today is a precious value for modern citizens, which is sometimes handled without reflection. Freedom of the individual person has its limits if it is realised on the expense of the freedom of other persons, including their conditions in respect to their relation to nature and the environment. Putting this fundamental conviction into the context of transport patterns could bring a reorientation of the current trends. To mention some aspects:

Transport policy in nearly all Member States had been “demand oriented”, it reacted to a general demand of quicker, cheaper and more comfortable transport and mobility.

Consequences, e.g. on the environment had not been taken into account. The “polluter pays principle” needed nearly 20 years of discussion before it entered into policy decision making processes, it will take time till it really makes the bill. But not only the environmental but also the social aspects of the “freedom of move” have to be considered, a perspective which will become more and more important. Although the “unprecedented freedom of mobility” is a very precious value to modern citizens, modern transport systems enables a way of lifestyle, which could be called “nomadic.”

Over centuries the compulsion for mobility was an expression of being on the outside. “Foreigner” and “vagabond” was a very negative term. This started to change with the dawn of the railways<sup>111</sup>, the first mass transport vehicles. The invention of rail started the process of developing modern mobility, which changed foreign lands and unknown areas - which were considered as threatening - into pleasure and consumer articles. Nature and people more and more were regarded as recreation materials<sup>112</sup>. The perception of travelling and exploring areas started

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<sup>111</sup> To illustrate this the following example is given: The rail tracks from Hannover to Würzburg to be made fit for this high-speed-trains needed a budget, with which at each 10 meters along the line Hannover-Würzburg a new house of the value of half a million DM could have been built. That means one metre track had cost 25,000 ECU.

<sup>112</sup> This way of freight transportation is practised in the USA, whereby freight-rail is making huge profits and won over 30% of road-freight just by price-dumping during the last years.

with rail travel, which was then taken over by the car. The car transformed the traveller into a potential explorer. For instance having holidays and having a car became a fixation and both developed into society simultaneously. This ended up in mass tourism, in recent years in long distance mass tourism of our days<sup>113</sup>. There are quite a number of Europeans who are “escaping” for such trips several times a year the frequent blows of competitive modern life<sup>114</sup>. The “restless society”<sup>115</sup> emerged as consequence of ever speed increasing transport systems.

What matters here are the social consequences of these processes. It appears to be that people generally arrive sooner and stay for shorter periods of time. If one is always on the way to visit e.g. people who are themselves always on the move, the probability of actually meeting up becomes more unlikely. The ability to have reached many destinations in a short space of time also means that meeting up with someone becomes more problematic. The more people who are on the move, the less likely it is that they will be able to meet up. It is slowly becoming apparent that in modern society, the original intention of mobility is being thoroughly contradicted. Instead of being able to visit and meet up with friends and acquaintances, integration and the increasing speed of our lifestyles makes this more and more difficult. It seems that the attentiveness to the visit itself has become mixed up with that of the next journey. The ability to “be bound” to a person, to an area, to a tradition, to a culture is weakening. This is a process of pushing consumerism of whatever section of life which in the end is a process of dehumanisation. It suggests that, here and there, a vague interest is beginning to stir itself in favour of a slower space of life. If such occurrence accumulates, it becomes possible that the trend will lead to a form of “intelligent mobility”. Finally it has to be admitted, that there are examples of migration of people as well as mobility-patterns which are forced on people for several reasons, including situations where survival is at stake. In these cases, of course, one cannot speak of a nomadic lifestyle. Another aspect is that the approach to mobility patterns very much depends on cultural setting, too.

The reason for discussing these tendencies in this chapter is to show that decisions on building up a certain transport infrastructure are enabling certain mobility patterns with consequences which will perhaps not be realised, but will cause changes in social behaviour. Infrastructure for quick moves, like TENs and PENs will have positive consequences for certain parts of societies, e.g. easy transits over long distances. Infrastructure which supports slower moves, helping a regional area to communicate will have positive consequences for another part of the society. Decisions on transport and mobility infrastructures are shaping the way of life which yet is not really understood. There is a need for reflection and research.

#### **5.4.2 Revaluation of regional areas**

Not only the guidelines for TENs contain the meaningful promise that the planned transport infrastructure will contribute to social cohesion, link island, landlocked and

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<sup>113</sup> The Commission just once pointed to this problem in the documents on rail.

<sup>114</sup> If e.g. a tunnel has to be passed from both sides, the freight-train must stop and wait, letting pass the high-speed-train, which otherwise would throw down the freight for aerodynamic reasons if meeting the freight-train in the tunnel.

<sup>115</sup> Transport on water, rivers, sea-travel by sailing-ships up to that time had been in use, but cannot be called mass transport vehicles.

peripheral regions to the central region - this argument is repeated in lots of EU documents on transport as we have seen. The idea behind this says that improving transport infrastructure will besides other positive aspects improve the competitiveness of a peripheral region. That may be partly right. But any such improvement happens at the expense of other regions, there might be no overall benefit and if other regions improve their infrastructure as well, the balance of competitiveness does not change. Beyond that there are results of research done e.g. for Scotland<sup>116</sup> which demonstrate, that peripheral areas will not gain much from improved transport links to the centre of the community. This study shows that in the case of Scotland 92 % of journeys are within Scotland, with less than 1% international. The report shows the main disadvantage of being located in a peripheral area is a lack of direct freight services. So the Channel tunnel will be less beneficial to Scotland than a direct ferry service to the European mainland would have been. If these findings are true for other peripheral areas of the EU, it would suggest that many schemes of the TEN masterplans might simply be the wrong links.

Certainly each peripheral area has its own needs and must be worked on individually. This is meant by the relatively new concept of the Commission for rural and peripheral areas in Europe, called "integrated development of areas". This aims at a revaluation of regions as a consequence. It implies that the population in a given region must be in a position to assign the priorities in their area. Their participation in the political decision making process must be guaranteed. Jobs must come back from centres to regions in developing their own potentials in an integrated way. Emphasising life in regions is in contradiction to the present day tendency to organise life in society within ever-increasing spaces - which the planned high speed transport systems will give a further push. This development is based on the assumption that mobility could continue to be increased with nothing but positive consequences. This case study and the EECCS report have shown that this is not what sustainable mobility is like. Therefore regions as expanded living spaces must not be given up - on the contrary they must be "rediscovered" and developed in an integrated approach.

### **5.4.3 Rediscovering urbanity**

Urbanity is a basic human culture, which has grown in 2 1/2 thousand years and is one of Europe's most precious cultural traditions. Urbanity overcame the endangering compulsion of earlier generations to be mobile. Urbanity as a lifestyle and organisational manner developed through the ability to live in an self-sufficient "market town". This makes a varied, multifunctional, social and cultural cohabitation of humans in relatively small areas possible. Now an interesting fact is that structures in areas - urban as well as rural - are based on the speed of human movement habits. One should be conscious of this fact. If one studies maps of Europe before industrialisation, one notices a certain basic structure. Medieval towns were built corresponding to the transport of the day, namely horse-drawn carts and pedestrians, where stops had been necessary. For the founding and development of towns this constant mobility was both crucial and beneficial. Today's provincial and district capitals still conform to this structure. Railways promoted

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<sup>116</sup> The term "landscape" has been created by a society that does not live in the countryside, that is to say its discovery goes back to the 19th century. Nature became the ideal alternative to the dull, grey towns of the evolving industrial age.

these structures by adapting to them, therefore, forcing further development. In doing so, higher speed of rail travel began to produce the first distinctions: towns which had no railway station were left behind, whereas towns with access to railway stations suddenly became more prosperous. The same development can be observed in France today, where conventional rail lines are changed into lines where the TGV is running. Former rail stops are no longer used by the TGV. Rail station in itself small centres of social and economic life, decline, the cities which were connected by conventional rail loose social and economic importance. Centralisation processes are pushed.

The car as a form of transport which travels at 30 or 40 times the speed of horse-drawn carts, is thoroughly independent of stops. It can link economic areas over long distances, avoid obstacles and bypass awkward areas. Towns which were once compulsory "stopovers" lost their importance. That means that the increasing sector of transport systems became hostile to the historically developed structures. Processes were created which externally threatened towns and areas and internally broke them up. "Town air makes you free" was the solution of medieval towns against serfdom and feudal nobility. Nowadays "town air makes you ill"<sup>117</sup> and certainly not only for ecological reasons. The car as a means of mass transportation has led to grave problems, especially in towns and cities. Not just because of the drastic reduction of the quality of life through noise, air pollution and the danger of traffic accidents, but especially through the changing of the once people-orientated towns into towns which revolve around cars. Communicative roads in public areas are being transformed into segregating and dangerous carriageways. Former socially integrative town squares are being transformed into car parks. The urbanity of the town as a habitat which, with its many various uses and the multitude of transport modes, types of sojourn and forms of encountering, gave its residents integration, security and identification. Important values of European culture, especially democracy, have grown on the ground of urbanity.

Urbanity developed itself more and more into a human hostile environment. Urbanity was destroyed. Simultaneously towns were increasingly becoming economical points of concentration. Sub-urbanisation which began in the 60s was the consequence. The population fled to the nearby rural surroundings and commuted to work in the town by car. The result of this were new roads and new traffic with a large area consumption. The process of the uncontrollable urban spreading of towns and their suburbs began. Through the car-orientated development of towns, the division of these towns into residents, accommodation, work, shopping and leisure were strengthened and led to the creation of a new form of settlement: overcrowded areas or agglomerates. These are large settlements whose development is influenced by industrial complexes which work globally. This is opposed to the traditional relationship of the town and its surrounding local area. Its creation, further expansion - or change into another direction - are a product of the modern transport system. Over 50% of the world's population already lives in such agglomerations. Great wealth and abject poverty will exist alongside each other in overcrowded areas. This problematic nature is highly explosive and complex. The basic question, how urbanity could look in the future and which structures it should have, is not to be separated from the fundamental transport system. The "town of short roads" can

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<sup>117</sup> This problem can only be mentioned here. It is well known that in the meantime for quite a number of very poor countries mass-tourism is an important source of income.

only be a “town of low speed”. A re-urbanisation of agglomerates would cancel the traffic producing division of functions, starting at the very centres. The relation between town and its surroundings must find new structures, the integration of regional areas must become clear again.

The follow-up document of the Commission on the “citizens network” works on these problems. It must be further developed.

## 5.5 Conclusion

- This case-study has shown, that since 1995 the Commission has started a dynamic process of shaping European transport policy. The efforts are concentrating on crucial points, the case study of EECCS in 1995 has pointed at (see p.2).
- The defile of the important documents on transport published by the Commission since 1995 has shown a certain tendency: A very welcomed start seems to get into troubles. Agenda 2000, the important document on the future of Europe and the Enlargement is a tragic block-back concerning transport. The Commission would be wise to understand that the Enlargement is offering an unique chance to build a sustainable Europe. This must start with sustainable transport. The Commission is right in saying transport being an important precondition of Enlargement. It is a decisive step, which transport structures and mobility patterns will be accepted. It makes no sense to repeat Western mistakes.
- It might be that the basic idea behind the welcomed steps of transport policy since 1995 is to get the four freedoms of the Common Market into reality. “To build up a new continent” (Com. Kinnock), does this mean nothing more than to create a huge market?
- The planned huge transport infrastructures, TENs and PENs, seem to prove that the stimulus for transport policy are market strategies. But environmental impacts and social consequences of transport are nowadays better known than years ago. We know now, that these huge infrastructures for the very quick move over long distances are the ones which damage mostly habitat, landscape and cultural settings. The TEN guidelines, which are in the process of being revised, must be changed to make sure, that these experiences are respected: The high speed rail concept must be rethought, a legally binding EIA must be incorporated for single projects as well as for the whole system. The guidelines must then become binding for the PENs, too.
- The relationship between mobility patterns / transport structures and culture needs attention. Is the cultural identity of Europe with its precious cultural biodiversity threatened by the ongoing acceleration of Europe's societies - pushed by its transport systems for ever faster move?

- The wisdom of the new approach of transport policy (see doc. 1-4) includes the ideas of “better use of existing infrastructure”, “networks instead of patchworks”, “interoperability”. The Unit R&D started work on issues like “how to de-couple economic and transport growth”, “roads means jobs debated”, “need of a new mobility education”. These are very good news. The churches should support this work<sup>118</sup>.

This new approach must come to the insight, that mobility, felt as one of the fundamental needs of modern life, is limited, if its unprecedented advantages are not inevitably becoming destructive. Networks instead of patchworks could mean networks of regions, which in itself are networks of citizens or inhabitants concentrating on a more space saving way of life. Mobility should serve for communication and culture, it should not become an instrument of violent penetration of space and time, hunting for a phantom of freedom and wealth, pushing consumerism and pressing competition to ever faster circles. Intelligent mobility is needed. The implementation of internalisation of external costs, including the cultural dimension, is the key to get there.

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<sup>118</sup> The EECCS report pointed to the fact that over 50% of car-traffic is “Leisure traffic”.

## Chapter 6 : International Trade and Environment

### 6.1 Introducing the topic

**6.1.1** The report of EECCS published in 1995 to which we have referred earlier contained a chapter on International Trade and Environment. We had welcomed that in its interim review on the Fifth Environmental programme, the Commission had decided to add a chapter on the international dimension. In that chapter one page was devoted to the topic "Trade and Environment"<sup>119</sup>. In its final 1997 version, the international dimension is the last chapter (chapter 7). The paragraph on Trade and Environment describes briefly the developments which have taken place since the UNCED Conference and pays special attention to the Committee on Trade and Environment (CTE) whose creation was decided at the Marrakesh Ministerial Conference in April 1994 and on the Commission for Sustainable Development (CSD) of the UN. Interestingly in the Global Assessment of the 5th Environment action Programme on the Environment and Sustainable Development which is taking place three years after the Review, trade is listed as one of the topics on the agenda of this assessment, but this time linked with development<sup>120</sup>.

Despite the fact that the EU has in principle recognised the importance of the issue, however, the Commission gives the impression that it is reluctant to come out with any clear public statements. It seems certain that this state of affairs reflects the fact that discussions on the relationship between world trade, development and environment meet with conflicting interests between the different DGs concerned.

The relationship between the EU Development policies and its Trade policies is a case in point here.

How can we arrive at a compromise which would recognise the special situation in which the ACP countries find themselves in - between benefiting on the one hand from non-reciprocity agreements for the export of some of their products and yet accepting the WTO's regulations in supports of a complete liberalisation of international trade, which are incompatible with any recognition of non reciprocity?

It is in recognition of the fact that 20% of the poorest share less than 1% in the world trade<sup>121</sup> and that most of the ACP countries are amongst the poorest countries, that the EU has committed itself to the eradication of poverty<sup>122</sup>. There is a direct relationship between poverty and environmental damage, and the interaction between Trade and Environment thus represents an issue of great complexity for the EU.

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<sup>119</sup> cf. COM (94) 453 final 30/11/94

<sup>120</sup> cf. Preparing the Global Assessment; Working /Discussion Paper for Consultations in January/ February 1999.

<sup>121</sup> UNDP Human Development Report 1994 (New York, Oxford University Press 1994 p.63.

<sup>122</sup> Following the Rio declaration, it is a requirement to achieve sustainable development.

**6.1.2** We were able to look to the following papers:

- Decision of the European Parliament and of the Council on the review of the Fifth programme<sup>123</sup>
- The paper on Trade and Environment of the European Commission<sup>124</sup>
- A report from the meeting of the Committee on Trade and Environment (CTE/WTO) which took place in April 1998<sup>125</sup>.
- The summary of a draft regulation the Commission presented in February 1999 to the Council which aims at the integration of the environmental dimension in the development process of the developing countries<sup>126</sup>.
- The conclusions of the first Ministerial Conference (ACP-EU) held in Dakar 8-9 February<sup>127</sup>

## **6.2 Analysis**

**6.2.1** Review of the European Programme of policy and action in relation to the environment and sustainable development

With regard to the Parliament and Council's decision on the review of the European Programme of policy and action in relation to the environment and sustainable development, reference is made to the priority targets of the EU with regard to trade and environment by:

- insisting that the EU should make sure that WTO promote a high level of protection of the environment;
- participating actively within the WTO frame in the discussions related to Trade and Environment, pleading for a fair balance between the two, and demanding that environmental requirements be integrated in the multilateral trade system;
- giving preference to multilateral solutions for the issue related to Trade and Environment, encouraging transparency in the definition and implementation of environmental policies<sup>128</sup>.

### **6.2.2 On Trade and Environment:**

The paper of the EU Commission is based on the following assertion:

*Economic and Environmental achievements are not necessarily incompatible.*<sup>129</sup>

This is in line with Agenda 21 which states that the trade and environmental policies

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<sup>123</sup> O.J. of the European Communities. Decision n2179/98 L.275/1

<sup>124</sup> Communication from the Commission to the Council and the European Parliament COM(96) 54 final.

<sup>125</sup> WTO WT/CTE/M/17 April 1998

<sup>126</sup> *Agence Europe* 26 February 1999 p.15

<sup>127</sup> ACP-EU Negotiations. Negotiating group 3 on Economic and Trade Cooperation (SN 1700/2/99 Rev 2. & 2 and 14)

<sup>128</sup> cf. O.J. of the European Communities. L 275/1

<sup>129</sup> cf. COM (96) 54 final pp. 11 (French version).

can be mutually supportive of each other and be to the benefit of a sustainable development. In the programme for the further Implementation of Agenda 21 we read: "There should be a balanced and integrated approach to trade and sustainable development, based on a combination of trade liberalisation, economic development and environmental protection."<sup>130</sup>

The compatibility which is assumed here is based on the fact that an open multilateral trade system will allow a more efficient use of the natural resources with regard to economy and environment, which will in turn will result in decreasing the pressures put on the environment. The paper of the Commission, however, does not assume that there is a linear relationship between liberalisation of trade and the safeguard of the environment. It calls on the contrary for a determined political attitude when it says that "the impact of trade on the environment will depend basically on the implementation of environmental policies and strategies towards sustainable development at the national and international level."

### **6.2.3 On Development and Environmental policies**

In this document one of the measures refers to the world economy; it is envisaged to look to "the environmental impacts which are related to the integration of developing countries in the world economy." The draft regulation points to the fact that they are based on the 1997 regulations (No.722/97) The new regulation is based on two observations: "1/ the exhaustion of natural resources and environmental degradation have a direct effect on economic development and acts against efforts at reducing poverty in developing countries; secondly the current conditions of production and consumption have cross boundary and global effects, that the Community and its Member States have undertaken to combat in the framework of the multilateral agreements on the environment (Convention on Biodiversity, Framework Convention on Climate Change, Convention on the fight against desertification)".

### **6.2.4 On Trade and Development Policies**

Two statements which were accepted by the Ministerial Conference should be mentioned here:

"The objectives of ACP-EU trade co-operation should foster the smooth and gradual integration of ACP countries into the world economy, thereby promoting their sustainable development. In order to achieve this objective, and to reduce the risk of marginalisation of the ACP countries, ACP-EU trade co-operation should strengthen the trading capacity of the ACP and create a new dynamic. Economic and trade co-operation should be based on a true, strengthened and strategic partnership, taking into account the different needs and levels of development of the ACP countries and regions".

"The Ministers while considering that a firm guarantee from the WTO on the degree of flexibility available for the negotiations of the new trade arrangements before concluding a framework agreement committing the parties to introduce such arrangements could possibly be of benefit, recognise, nevertheless, that such

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<sup>130</sup> cf. Annex adopted by the G.A. at its nineteenth special session (23-27 June 1997).

guarantee could not be limited to the ACP-EU relations only... They consequently underscore the importance for the parties to closely co-operate and collaborate in the WTO with a view to defending the arrangement reached."

## 6.3 Our Comments on Trade and Environment

### 6.3.1 Concerning the WTO : Interaction of Trade with Environment and Social Issues

\* The relationship between trade liberalisation and the safeguard of the environment cannot be considered in an apolitical and atemporal vacuum. Liberalisation of trade is happening in a world where the relationship between nations is unbalanced. The World Trade Organisation and the set of regulations it has established rest on the assumption that each nation is in the same position with regard to trade. The reality is different. Following the World Bank report of 1998, the number of countries with a negative economic growth has increased from 21 to 36. The process of globalisation is leading to a huge concentration of power in fewer hands.

\* We are of the opinion that these conditions, important as they are, are insufficient to strike the right balance between economic development and the safeguard of the environment. The reason being that since trade is an intrinsic part of the economic model, it will therefore necessarily seek to boost economic growth. As we have argued in our previous report, boosting economic growth tends to have negatively consequences on the environment. We believe that as long as the traditional concept of economic growth is left untouched, the chances that trade and environment will be mutually supportive are minimal.

\* Whereas the GATT in Article XX recognised countries' sovereign right to regulate trade, where important policy objectives were at stake such as protection of plant, animal and human life (article XX(b)) and conservation of natural resources (article XX (g)), recent decisions taken by the WTO point, on the contrary, to a very restrictive use of this article<sup>131</sup>. As a result, the WTO is coming under widespread criticism. The EU is a member of the WTO and has signed the different UN Conventions of Rio and Copenhagen will have to act in a coherent way in the pursuit of its international trade policies.

The question may be raised how far the WTO is equipped handle matters of decision making which, while in accord to its own WTO trade rules in a strict legal sense, have far reaching implicit consequences of a political, social and environmental nature, far beyond the competence and authority of the WTO.

Two examples to illustrate this:

**a) The "banana case" - highlighting the social aspect.** It is alleged that to maintain special advantages for the import of bananas from some of the ACP countries is contrary to the WTO rules, but it is not so simple as a mere matter of

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<sup>131</sup> see A WWF International, CIEL (US), Oxfam-GB & CNI (US) Discussion Paper, May 1998.

trade rules. There is here more at stake than a conflict of economic interests between two big trade powers, in this case the EU and the USA. Behind the position defended by the EU lie other motives than a purely economics. There are vital social and environmental considerations are at stake. For example, the much respected development charity Oxfam accompanied an MEP Fact-finding Mission to the Caribbean in May 1997 and found out that the recommendations of the WTO Report would have devastating consequences for the livelihoods of hundreds of thousands of people in the Windwards Islands<sup>132</sup>.

**b) No Agreement at Carthagena** - highlighting social and environmental aspects. There was a failure to arrive at an agreement after three years of discussion at the end of February 1999 in Carthagena (Columbia), on biosecurity with regard to genetically modified organisms (GMO's). It is widely appreciated that there is a radically different level of social acceptance of GMO's between the USA and many EU countries. The US agriculture is increasingly committed to the commercial production of GMO's and wishes to expand its produce into the EU by overcoming the EU's existing regulations inside Europe. The US will put the case to the WTO arguing that the EU rules are against free trade, notwithstanding the enormous level of public opposition to GMOs in member states like the UK and Austria<sup>133</sup>. There is immense social and environmental consequences for this.

In each case the WTO is being asked to take decisions which consequences are largely exceeding its field of competence, and in each case complex social and environmental issues are thereby being reduced, quite ridiculously, to one of trade barriers.

Three solutions might be envisaged vis à vis this situation:

- to enlarge the mandate of the WTO by giving it the means allowing it to arrive at fair and comprehensive judgements;
- to create an international institution with sufficient juridical power to arrive at judgements which encompass all the dimensions implied in what we have been describing as a comprehensive concept of sustainability;
- to recognise explicitly in the WTO rules that countries have a right to exclude products from their boundaries on religious, ethical, safety or environmental grounds.

### **6.3.2 Concerning the Interaction of Trade with Development and Environmental Policy**

At first sight one could arrive at the conclusion that the EU is pursuing contradictory aims. It is committed to the renewal of the Convention which links it to the 71 ACP countries with, as main target, the eradication of poverty. On the other hand it is committed to applying the WTO rules, whose social and environmental consequences can be seriously questioned. To overcome this impasse, the EU has sought for acceptance by the WTO of the "weaver" solution which will allow ACP countries time to adapt themselves before entering the world market. This is

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<sup>132</sup> In "Dispute Settlement in the WTO. A crisis for Sustainable Development" Discussion paper WWF: Oxfam. CIEL and CNI May 1998.

<sup>133</sup> o.c. "le Monde" 25 February 1999.

certainly tactically justified. If the weaver solution is the only tool, however, it will appear strategically rather weak. It does not utilise the possibilities which the EU and the ACP countries together have to develop an alternative approach to establishing a fair relationship between the area of trade and that of environment and development.

The signal which was given in Dakar (II.4) should be interpreted by decision makers in two ways. It is a recognition of the deficits which result when the WTO comes to rule on the relationships with poor countries. It is also a wish to press for reforms which would, far more than is presently the case, recognise the justified demands to integrate environmental policies in the trade regulations.

### **6.3.3 Concerning the Globalisation Process and the Search for a European Model**

The European Union advocates within its own borders a model of sustainable development, which it defines in the Treaty of Amsterdam as a model which integrates economic growth and high social and environmental standards. It is, however, confronted outside its borders with the constraints of a liberalised market, dominated by the criterion of competitiveness and which operates within a context of greatly unequal economic and political power among different countries. With what sort of policies does the EU envisage preserving and developing its own model of society, given the impacts which the globalisation process will increasingly have on its own development? What kind of policies are needed to put pressure on international organisations such as WTO, IMF and the World Bank to bring the policies those organisations pursue more in line with the policies with the so called EU model?

We can not omit the role the globalised financial is playing with regard to the interaction of trade and environment. Last year we have seen how unstable the financial system is. The relocation of "hedge funds" looking for short term benefits have in many countries had disastrous consequences on economies, which in turn had led to all kinds of negative social and environmental consequences.

To achieve a greater cohesion in its external policies is one of the goals which the EU has been pursuing for many years. The desire is expressed in the revisions of the different Treaties, and in the Green paper which launched the discussion on the renewal of the convention of Lomé. From the viewpoint of the churches, we feel that this ought to remain a priority goal for the EU for the immediate future. The fact that in the past external policy was not generally given the same priority as matters which were felt nearer to the skin. This state of affairs can no longer be accepted. There are two reasons for this. One is that, as demonstrate by our WTO examples, the pressures of globalisation are a reality affecting Europe. "Fortress Europe" no longer exists, even if it ever did. The other reason is that as members of churches, part of our intrinsic identity is universality. We have the spiritual resources to face globalisation and its effects, in exercising our ethical responsibility not just restricted to our those nearby but extending it to our fellow men and women far away. They are also our neighbours.

