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H.E. Mr Costas Simitis
Prime Minister of Greece

H.E. Mr Romano Prodi
President of the European Commission

At the heart of the Lisbon process lies the goal of making the European Union the most competitive and dynamic knowledge-based economy in the world. Since the Swedish Presidency in 2001, work to help deliver sustainable development – taking account of economic, social and environmental priorities – has been part of the goal of the Lisbon process.

The global community has made considerable progress over the last year in defining how a path towards sustainable development can be followed, and how specific policies can contribute to it. The EU took a leading role in this work through our contributions at the Johannesburg World Summit on Sustainable Development, our commitments from Doha and Monterrey and our continuing commitment to the Kyoto process to tackle climate change.

At this Spring Council, we must build on our Johannesburg commitments and use the Lisbon process to help deliver a competitive and sustainable economic model for the EU. We welcome the Greek Presidency's strong commitment to the development of environmental technology, as a way of delivering this. Technological innovation plays to Europe's strengths: as a high-skill, high-investment, innovative economy. Innovation can also provide the solution to many of the economic, social and environmental challenges that the EU faces today; finding new, cleaner and more socially inclusive ways to meet the needs and aspirations of our citizens.

Faster development and greater use of new technologies has the potential massively to modernise the way our economy works. It can modernise our production and consumption patterns, our infrastructures and our technologies. Clean and more resource efficient technologies

can contribute to a rich and healthy environment, and be a driving force for innovation, development of new businesses, job creation and growth.

New technologies and processes can contribute to the goal of decoupling economic growth from environmental degradation. However, to a large extent the technologies and systems of the past still dominate in important areas such as transport, energy, industry and agriculture. In each of these sectors new and better technologies are available or emerging. To speed up the replacement of old technologies there is a need to set clear targets, develop stronger market based incentives and make more use of the instrument of public procurement. We will need to consider carefully the most appropriate ways of pursuing this at national or at EU level.

We need to invest in an economy which is both more competitive and capable of supporting sustainable development. The enlargement of the EU and the investment needed to comply with the environmental acquis provide a great opportunity for the EU and its new member states to increase our uptake of environmental technologies and contribute to sustainable development.

Technological innovation on this scale will also put significant environmental improvements within our grasp. It is clear from the work of the Inter-Governmental Panel on Climate Change that the scale of the challenge facing us in this area is substantial. Projections suggest that global emissions could double as early as 2025. Independent analysis clearly shows that significant cuts in greenhouse gas emissions are technologically and economically feasible over the next 50 years. However, this will not happen under 'business as usual' and will require a step-change in science and technology to complement international action to control emissions.

We believe that the time is ripe to look at what climate friendly technologies are under development, and how we can spur innovation in them. Such technologies will be essential to tackle climate change in a cost-effective manner with a new focus on increased energy efficiency and low carbon technology. A strong political signal of our intent is essential.

The EU should take the lead amongst developed countries in signalling our intention to become a truly low-carbon economy by 2050 through a significant reduction in carbon emissions in the order of 60%. We should aim to deliver this through the accelerated and cost-effective

development and uptake of low-carbon energy sources and innovative technologies, through our ongoing process of economic reform.

As a first step, it is highly important that the Commission presents a proposal for an action plan for the introduction of the new environmental technologies, in accordance with the Barcelona conclusions. The plan should include proposals which promote development, commercialisation and export of clean technologies. It could also contain actions to improve the technology cooperation with developing countries.

Building on this, we believe that the Union should now commit to:

- Make concrete the commitments made in Johannesburg by setting an EU-wide target for renewable energy of 12 percent of total energy production by 2010, as set out in the White paper on renewable energy. In order to ensure such a development Member States could establish national targets for increasing the share of renewable energy with at least 2 percentage points of total primary energy supply by 2010 relative to 2000.
- Continue EU-wide work towards the long term annual increase in energy efficiency, in line with the decision taken in Barcelona on the need for the Union to show substantial progress in this area by 2010. This would actively contribute to fulfilling the EU's Kyoto commitments and reaching the Union's targets on energy savings.
- Actively exchange information and best practice between the member states on building design and energy consumption. A creative and innovative approach to this work should help improve the take-up of new technologies and approaches in the construction, maintenance and management of buildings across the EU.
- Emphasize the need to decouple traffic growth from GDP and from emissions of greenhouse gases by establishing indicative targets for bio-fuels. The Council has agreed that by 2010 bio-fuels should make up a higher proportion of all petrol and diesel placed on the market for transport purposes, and where practicable as high as 5.75%. A strategy for establishing an EU-wide infrastructure for alternative

fuels, including fuel for fuel cells, is needed. Introduction of alternative fuels should be done in a cost efficient way, taking into account all aspects of sustainable development. Any tax subsidies should reflect overall benefits to society.

- Conclude that a European wide system for environmental classification for cars and trucks should be developed before 2005 and that there should be a substantial increase in the share of environmentally friendly cars by 2010. We should explore voluntary agreements and incentive schemes with EU car manufacturers to speed up the development of technology in this area.
- Set targets to create environmentally sound urban transport systems within the EU. In this context, we should evaluate good practice on traffic management and other measures to tackle emissions of particulate matter, VOCs and nitrogen oxides.
- Promote best practice to incubate environmental technology at both national and EU level, including better ways to strengthen the links and cooperation between Europe's world-beating universities and research institutions and our industries and financing institutions. We should create new opportunities to nurture innovative ideas and enable environmental technologies to be brought speedily to market.
- Renewed efforts are also needed in order to phase out subsidies with a considerable negative environmental effect, especially subsidies for fossil fuels. An effective EU-wide framework for energy taxation through the Energy Products Directive is also important in this context.
- Reform EU funding structures to promote development and adoption of environmental technologies. EU research frameworks and the LIFE programme should be linked and geared to developing and testing technology which will deliver sustainable development. The EU has to make full use of the 6th Framework Programme on research to enhance the development and diffusion of environmental technologies.
- As part of the better regulation agenda, the Commission should be encouraged to produce fewer, better, environmental regulations with clearer goals to promote

sustainable development. Future EU policy on resource efficiency, including energy efficiency, will need some support from regulatory instruments. But these will need to be well prepared and result-oriented. Independently verified environmental management systems, thorough environmental audit and review of procurement policies can all contribute a great deal to this.

- Emphasize the need to speed up the introduction of new legislation on the authorisation of chemicals. This is important in order to promote new substances, technologies and processes that will minimise significant adverse effects on human health and the environment.

Europe needs to start delivering concrete outputs in these areas, both to show the rest of the world exactly what we mean by sustainable development and to deliver the overall objective of making Europe the most innovative, competitive and dynamic knowledge-based economy in the world.

A copy of this letter has been distributed to European Council colleagues.

Yours sincerely,

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