

Launch of the Eco-Innovation Action Plan. Meeting with journalists at the invitation of DG Environment.

Turning entrepreneurs into eco-innovators. – Role of public policy.

By Raymond Van Ermen. EPE. Berlaymont. Brussels, December 15th, 2011.

The Resource Efficiency Alliance (REA)¹ of which EPE is a member, welcomed the Roadmap to a Resource Efficient Europe² as one of the key pillars of Europe 2020 Strategy, inspiring a '*positive vision of the world we and our children would like to live in 2050*' and leading to '*fundamental transformation*'.

Eco-Innovation is key for several reasons :

1. To preserve Europe's global competitiveness on the green economy market where Asian Countries and others intend to be as well in the 'driving seat'.
2. To address the new 'global sharing agenda' : to share natural, financial and knowledge resources should become the EU distinctive approach at Rio+20 by which Europe would rebuild its global leadership while with the sovereign risk crisis, the EU has lost a great deal of its lustre and international influence.
3. To accelerate the 'Great Transition' which will make Europe more resilient (from climate change impact to scarcity issues) while the increase in raw material and energy prices has severely affected the annual earnings of a growing number of businesses while citizens have seen the impact of scarce resources and energy prices on the inflation rise.
4. To facilitate the 'transformation of Europe' towards a continent securing a good life for all in the limits of one planet.

Eco-innovation are not only 'technology driven'. There are key fields of eco-innovation related to systemic changes as well as behaviors, societal changes. As Denis Meadow³ states often, we will see in the coming decades more societal and behavioral changes than in the last two centuries. The need to mobilize citizens in connection with the "just" transition to a low-carbon, resource-efficient economy is demanding a "*new societal pact*" and major eco-innovation in many fields, including reform of the tax system.

Seven revolutions will dramatically change "technology/performance/service/business/lifestyle" as well as our 'societal vision' with new participatory democracy and empowerment models, new citizens 'rights' as right of access to basic services (electricity, water) and right of

¹ The Resource Efficiency Alliance is a joint initiative of European Partners for the Environment, the European Water Partnership and EUCETSA.

² This Resource Efficiency Roadmap is one of several roadmaps developed by the Commission as "A roadmap for a competitive low carbon economy", roadmaps 2050 for energy and transport etc under the process so called 'Europe 2020'.

³ Limits to Growth. Report to the Club of Rome.

access to information (smart metering, smart grids). Smart entrepreneurs and start up as well as major multinationals are largely involved if not in the driving seat .

Each revolution is build on and leads to eco-innovation.

1. The Energy and Low Carbon Society Revolution: renewable energy with several components including oceans, solar, hydrogen, buildings, energy efficiency, smart grids, smart metering, monitoring and privacy, right of access to electricity.
2. The Cradle to Cradle Revolution (or Chinese Circular Economy) will address resource efficiency, sustainable resource management (replacing raw materials and waste policies).
3. The Bio-economy Revolution will address resource efficiency, agriculture, forests, fisheries and oceans.
4. The Blue Economy Revolution will address resource efficiency, conservation and sustainable use of marine biodiversity and other resources, including in areas beyond national jurisdiction.
5. The Good Life for All Revolution will address health and environment, sustainable consumption, lifestyles, equity, social innovation and bottom up participatory process in a new information sharing and trust building era.
6. The Business Models Revolution will address new performance criteria : service rather than ownership, social, governance.
7. The Finance Revolution where the Finance Industry is reoriented to serve the common good.

Eco-innovation will come from strategy on how to deal with resources which are becoming scarce, as well as other resources which are abundant, but need to be reoriented (as finance) and finally immaterial resources (with human capital in first place) which are over abundant.

Eco-innovation will come from a European Union giving itself ambitious objectives related to its global environmental footprint and good life for all.

Eco-innovation will also come from 'managing resource efficiency' in a global value chain perspective which requires to all stakeholders along the value chain to:

1. Address systemic interdependence between energy, climate, biodiversity, water, food and raw materials use;
2. Mobilize economic actors and markets leverages along the global value chain
3. Identify the components of Europe's global footprint
4. Focus on the systemic role of multipliers representing purchasers, investors, standards setters, trust builders, their leverages to fix rules (suppliers guidelines, standards), make choice (investment and purchasing power) disseminate knowledge, make the difference.

Who are the main drivers of eco-innovation today ?

- The EU when it regulates, as REACH demonstrated.
- Governments with innovative approaches as the German Feed-In-Tariff

- Public authorities through the green procurement policy of States, Regions, Cities fixing new objectives and impacting the value chain
- Major economic players (as retailers) impacting the supply chain worldwide
- Citizens who empowered themselves via Internet and Communities action and forced companies to change their marketing strategies. Citizens have now new forms of trust building and dialogue on eco-innovation with big multinationals.
- Financiers via their criteria to invest in a company or to provide loans.
- The EU as the engineer of new financial partnership schemes.

What is good with the Resource Efficiency Flagship and the Eco-AP is to see a growing interest for engineering new financial mechanisms. We have seen major concerns, as in the framework of FUNDETEC, funding the development of environmental technologies, where we investigated how to address the famous 'Dead Valley' as well as how to engineer new financial mechanisms. *Investment flows need to transcend traditional boundaries of public and private finance in order to match the challenge. Financial innovation is required and a range of custom-designed instruments will be required to finance low-carbon and resource efficient technology deployment. This must occur from private pools of capital as public resources will prove insufficient to meet the financing requirements. But these segments cannot act in isolation of each other and cooperation between players in public and private finance will be more needed*

Value Chain management is also a major source of resource efficiency eco-innovation, new business models, new products and new services. In a new world where knowledge sharing, networking, business models have dramatically changed, the global value chain and sustainable material management is becoming the key. From this perspective, the Eco-Innovation⁴ Action Pan communication should have been focused i.e. on a "Global Eco-innovation Value Chain" agenda and 'sharing natural resources'. From this point of view I regret that the ETAP Forum recommendation have not been taken on board when recommending - as a leverage for eco-innovation resource efficiency partnerships, at Continental level with Asia (Zero-Waste), Latin America (Bio-Economy), Africa (Nutrients) – to be part of the Commission Eco-AP mandate⁵ and address how to share natural resources in a circular economy.

⁴ Eco-innovation includes new production processes, new products or services, and new management and business methods Eco-innovation means all forms of innovation reducing environmental impacts and / or optimising the use of resources throughout the lifecycle of related activities. Website ETAP.

⁵ The Birmingham Declaration of the ETAP Forum



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The REA is a group of public and private economic actors developing synergies and leveraging their market forces to harness resource efficiency for sustainable growth and development in the EU.