

**CBD Notification 2013-22 on Decision XI/30: Incentive measures; Decision XI/4: Review of implementation of the strategy for resource mobilization, including the establishment of targets**

**Submission from the European Union**

The EU considers that the operationalization of Aichi Target 3 is a key to the CBD resource mobilisation process. The need to prioritise measures to tackle incentives that have a negative impact on biodiversity has been highlighted in both the GEF needs assessment report and the High Level Panel on assessing global resource needs for implementing the CBD Strategic Plan, as it would lead to reduced biodiversity financing needs overall.

The EU has been exploring how to move forward on phasing out and reforming incentives that are harmful for biodiversity for a number of years, as reported in the EU response to notifications 2012-040 and 2011-014. The ongoing reforms on the EU Common Agricultural Policy and the Common Fisheries Policy should be finalised by the end of this year, and should yield additional benefits for biodiversity. In addition, the EU has committed to phasing out coal subsidies by 2018, again with indirect benefits for biodiversity. Moreover the Commission is committed to developing an **EU Green Infrastructure Strategy** that helps conserve and enhance the natural capital and to achieve the Europe 2020 objectives. Integrating GI into policy implementation in key sectors would ensure cost-effective achievement of environmental objectives and could redirect public funds from large-scale infrastructure initiatives to secure resilience of ecosystems.

**a) Information on obstacles encountered in implementing options identified for eliminating, phasing out or reforming incentives that are harmful for biodiversity.**

A study to support the phasing out of environmentally harmful subsidies (EHS), including those that have an impact on biodiversity was completed in October 2012, and provides some useful elements to identify and analyse key types of EHS and their impacts:

[http://ec.europa.eu/environment/enveco/taxation/pdf/report\\_phasing\\_out\\_env\\_harmful\\_subsidies.pdf](http://ec.europa.eu/environment/enveco/taxation/pdf/report_phasing_out_env_harmful_subsidies.pdf). It also analyses examples of good practices in the reform of EHS in EU Member States and the lessons that can be learnt from these cases. Finally, it addresses obstacles to the reform of EHS and develops practical recommendations on phasing out and reforming EHS to support the objectives of the Europe 2020 Strategy and the resource efficiency agenda, which include biodiversity objectives.

The obstacles identified and possible solutions build on those proposed in the 2005 OECD report on 'Environmentally Harmful Subsidies. Challenges for Reform', whilst referring to examples within the EU.

Obstacles include:

- Strength of special interests and rent-seeking behaviour,
- False perceptions and fear of change,
- Lack of political will and concerns related to competitiveness and social impacts,
- Lack of transparency, information and awareness,

- Legal, administrative and technological constraints.

Other important obstacles, which are listed in the Annex 1 matrix, are:

- the lack of mainstreaming and integration of biodiversity objectives into other sector policy,
- the lack of synergies at national and international levels,
- the fact that loss of biodiversity and the corresponding goods and services it provides (and its economic and societal values) are not properly understood and documented,
- the lack of knowledge and practice of ecosystem-based approaches to management.

In the above mentioned EU study the aspects of mainstreaming and integration are not mentioned in the overview of obstacles, but the study points at the importance of **policy coherence**: many EHS undermine or contradict other policy objectives and wider principles such as the polluter pays principle. EHS reform provides incentives for eco-innovation supporting the transition to a green economy.

Solutions focus on:

- Increased transparency,
- Changing the terms of the policy debate by challenging misconceptions
- Making the voices heard of those who are disadvantaged by the status quo (e.g. foreign competitors or other sectors),
- Recognition that a range of options is available to meet societal objectives,
- Diffusion of innovative schemes,
- Better targeting of existing subsidies and improved subsidy design (including possible conditional subsidies),
- Seizing and creating windows of opportunity (e.g. policy reforms, legal and international obligations),
- Accompanying or transitional measures, including: packaging reforms with other measures; 'second best' options such as partial reforms (eg flat fee instead of road pricing scheme); economic diversification (measures aiding people to find other jobs or activities); compensation for those who are negatively impacted by the subsidy reform or earmarking the revenues for purposes that are related to those of the subsidy; reliance on existing social assistance (for the reform of subsidies that aim at protecting low-income households).

Other relevant studies include:

- Budgetary support and tax expenditures for fossil fuels - An inventory for six non-OECD EU countries (January 2013):  
[http://ec.europa.eu/environment/enveco/taxation/pdf/fossil\\_fuels.pdf](http://ec.europa.eu/environment/enveco/taxation/pdf/fossil_fuels.pdf) . The study provides information on measures supporting the production or consumption of fossil fuels in six EU Member States: Bulgaria, Cyprus, Latvia, Lithuania, Malta and Romania.

- Environmentally Harmful Subsidies: Identification and Assessments (November 2009):  
<http://ec.europa.eu/environment/enveco/taxation/pdf/Harmful%20Subsidies%20Report.pdf> .  
The study presents a "EHS Reform tool" for screening, integrated assessment and reform of environmentally harmful subsidies, and includes a methodological guidance on how to assess the value of subsidies, illustrated with concrete cases.

Some Member States have also undertaken relevant studies, such as France:

- Les aides publiques dommageables à la biodiversité (*Public subsidies harmful to biodiversity*) (2012):  
[www.strategie.gouv.fr/system/files/rapport\\_43\\_web.pdf](http://www.strategie.gouv.fr/system/files/rapport_43_web.pdf) (report in French)  
[www.strategie.gouv.fr/system/files/summary\\_biodiversite\\_traduction\\_en\\_01032012.pdf](http://www.strategie.gouv.fr/system/files/summary_biodiversite_traduction_en_01032012.pdf) (summary in English)  
[www.strategie.gouv.fr/system/files/ns-devdurable-246-anglais.pdf](http://www.strategie.gouv.fr/system/files/ns-devdurable-246-anglais.pdf) (Policy brief in English)  
The report makes an inventory of subsidies whose link to biodiversity loss has been demonstrated, and provides recommendations for reforms.

The EU considers that there is no distinction needed *between obstacles to eliminating, phasing out or reforming incentives*. In addition, some of the listed "obstacles" seem to be rather "consequences" of the EHS, or factors of biodiversity degradation than obstacles, for example lack of economic incentive measures, poverty, loss of traditional knowledge, environmental change,.

**b) Views on the development of modalities and milestones for the full operationalization of Aichi Biodiversity Target 3.**

The milestones proposed in the context of COP10 discussions are still relevant, albeit the timing would need to be updated, and the process should be applicable to all CBD Parties, beyond just OECD countries.

The role of the OECD to monitor progress on these milestones could be strengthened, given the existence of databases (including the databases on Agriculture Production and Consumption Surplus Estimates, Review of Fisheries Statistics, and Instruments used for environmental policy and natural resource management) which could be further explored to identify possible indicators to monitor implementation of target 3.

The above mentioned report on 'supporting the phasing out of environmentally harmful subsidies' also produces a roadmap to 2020 for EHS reform within the EU. It highlights that a critical first step in the process is the development of transparent inventories of subsidies and their impacts and communicating the benefits of their reform, which could initially focus on a select number of priority subsidies. Based on these assessments, reform efforts can be prioritised according to national interests and circumstance. The process needs to be carefully designed, managed and implemented with clear targets, transparent costs and benefits, stakeholder engagement, coordination among government bodies, etc. Regular and transparent reporting on progress on EHS reform should then be carried out. The role of the European Semester process in this context should be highlighted. The European Semester is the annual governance process of the Europe 2020 Strategy for sustainable, smart and inclusive growth. Under the European Semester process the Commission identifies priorities and communicates them in its Annual Growth Survey. The European Commission sees the

phasing out of EHS as an opportunity for fiscal consolidation as noted in its Annual Growth Surveys 2012 and 2013. The Commission's 2012 and 2013 country-specific recommendations (endorsed by the European Council) include calls for 12 and 11 Member States respectively to undertake environmental tax reform (which would also contribute to EHS reform). MS could further report on progress under the European Semester, including on reforming subsidies that are harmful to biodiversity.

Reporting could also become more important in the international context, e.g. under the G20, the WTO, OECD or the CBD.