



Industry & Environmental Protection: From the "polluter pays" principle to funding and environmental consciousness

by Sophia Papageorgiou and Stavros Damianidis *, December 2007

Environmental protection is often translated in industry business terminology as additional and non-necessary investments. Actually, in short-term analysis, environmental protection is indeed costly for enterprises.

The European Union's policy on industry and the environment aims at identifying environment as a medium- and long-term development factor. The main principles forwarded during the last years regarding the obligations of enterprises in this field are the precaution and the "polluter pays" principles.

The basic directions for ensuring environmental protection against industrial activities are namely the environmental legislation, the financial support of environmental friendly activities, as well as the encouragement of voluntary actions, usually of spontaneous character within the operation of markets. The importance given lately by the industry sector to the protection of the environment is not to be ignored, since it does not only provides us with more environmental friendly products, but also promotes inspiration for new products that may create a whole new and potentially profitable market (e.g. hybrid car production).

Environmental legislation and Institutional Framework

In order to ensure the compliance of the industry sector with the environmental requirements, the relevant legislation sets the limitations by mandatory rules of compliance and includes a series of measures, that define either direct or indirect limits and compliance terms. Such indicative measures are¹:

- The **Environmental Liability Directive** sets the frame in respect to the prevention and rehabilitation of environmental damage. It is the first community legislative act for the enforcement of the "polluter pays" principle. Environmental damage, according to the Directive, may refer to aquatic environment, endangered species and natural habitats or soil. Liability in case of actual or potential environmental damage is interpreted as the obligation of the polluting industry to undertake the cost of preventive or rehabilitating measures. The Greek Ministry of Environment, Physical Planning and Public Works is forwarding a legislation bill for the embedment of the Directive by April 2007, while large insurance companies are already exploring a potential market since

¹ The following refer to directives with a larger field of application apart from the industry sector, in contrast to other measures particular to specific industrial activities (e.g. Solvent's Directive, LCP Directive)

“environmental liability is a complex and multidimensional issuer for the Greek insurance sector²”.

- The **IPPC Directive** regarding the integrated industrial pollution control and prevention defines the terms and the relevant procedures for environmental licensing, while requiring the application of the Best Available Techniques (BATs) for pollution control aside with the definition of financial costs as part of the BAT.
- The **SEVESO Directive** defines terms and measures for the confrontation of wide impact accidents in facilities handling dangerous substances. The mandatory Security Design and the application of a Security Management System are a few of the Directive’s requests for industries that handle or store particular substances in large quantities.

In the framework of the 6th European Action Plan for the Environment (2002-2012), particular thematic strategic plans have been developed as part of a better regulation process, defining specific obligations of the industry sector.

- Two thematic strategy plans have been developed in 2005; “Prevention of waste production and recycling” and “Sustainable use of natural resources” focus on the reclamation and recycling of resources as well as on their sustainable use, applying life cycle analysis. In 2006 the new **Framework Directive on Solid Waste** was issued replacing a 1975 enactment. The relevant directives on specific wastes remain in power, while new ones are expected as a result of the framework directive. The examination of waste utilisation potentials may lead to significant cost savings for the industry sector, either through replacement of raw materials with reclaimed “waste” originating from other sources, or through the energy context of waste as fuel replacement.
- The **Soil thematic strategy** (2006) suggests a mutual frame for the prevention of soil degradation, the reservation and rehabilitation of degraded soils, such as polluted areas. The member states are obliged to embed relevant measures in their sectoral policies, as well as to compose a record of polluted areas, for which the owner or potential buyers shall inform the competent authorities of the soil conditions.

An important consequence on the interaction between industry and the environment is foreseen by the application of the **Environmental Technologies Action Plan (ETAP)**, which was published by the EU in the beginning of 2004 aiming at the promotion of environmental technologies. The second Progress Report of the Action Plan for the period 2005-2006 was completed in May 2007 and depicts the priorities for further development. Among the suggested activities is the promotion within sectors of a high potential environmental gain (e.g. construction, food & beverages, etc), the establishment of a European Environmental Technologies Verification System, and the attraction of investment funds in the sector. Greece has planned a **National Action Program for Environmental Technologies**, which anticipates a series of actions for the promotion of

² “Green insurance business – The EU Directive on civil environmental liability to be harmonized in Greek law”, TO VIMA Newspaper 19/8/2007



ETAP, mainly based on the new Development Law Act (3299/2004), as amended by Law 3522/2006 and the Competitiveness Operational Programme of the 3rd Community Support Framework.

Funding Opportunities

The EU favors the development of environmental friendly activities through various funding tools, in order to reinforce the competitiveness of businesses satisfying environmental protection requirements or aiming at the preservation of the environment.

In October 2007, EU announced the launch of the "Programme for the Support of Compliance of SMEs with the Environmental Legislation". SMEs represent the 99% of all European enterprises and 57% of the economic added value, comprising an important part for the materialization of sustainable development.

EU reported that "SMEs are confronted with various and complicated challenges compared to larger companies and they are required to solve specific cases of environmental impact and compliance to the respective legislation".

The most important sources for funding for the period 2007-2013 are namely:

- **LIFE+ Programme** of a 5 million euros budget recently approved for the period 2008-2013. The total budget of LIFE+ amounts to 2.143 billion euros and is allocated among three areas: (i) Nature and Biodiversity (50% for project action support), (ii) Environmental Policy and Governance (for the enforcement of priority actions on climate change, environment, health and quality of life, natural resources, waste etc) and (iii) Information and Communication (aimed at public awareness).
- **Structural Funds ERDF** (European Regional Development Fund) and Cohesion Fund for the period 2007-2013. Within their framework a priority expense is defined as "support to SMEs for the promotion of environmental friendly products and production processes, by the introduction of an effective environmental management system, the adoption and use of pollution prevention technologies and the embodiment of clean technologies in the production process".
- **JEREMIE** initiative (Common resources of small to medium size enterprises) entering its operational phase in 2007. Within this framework environmental investments are considered worthy of support and the Member States may use structural funds for the establishment of regional funding tools for SMEs, including consultancy services and technical support, share and company capital and guarantees.
- The **Framework Programme for Competitiveness and Innovation 2007-2013 (CIP)**, providing for SMEs as the main direct or indirect addressees of the funds. CIP appoints 430 million euros for environmental innovation activities.

Especially in Greece the main funding tool is namely the amended **Development Law**, according to which, **specific environmental plans and projects** are eligible for



funding, as well as **investment actions in all sectors** are accepted. The grant amounts are considered in respect to:

- the investment category in accordance to the Development Law
- the enterprise size
- the regional and local area of the investment

The following indicative project categories are considered eligible:

1st investment category

(a) Manufacturing

Relocation of tanneries for the prefectures of Attiki, Thessaloniki and Chania, to Industrial and Enterprise Parks or Areas, offering appropriate infrastructure and facilities for such activities

(b) Tourism

Environmental protection action in the tourism industry

(c) Special Investment plans and activities including:

- environmental protection investments, contamination containment for soil, subsoil, aquatic and air environments, rehabilitation, water recycling, desalination
- introduction and adoption of environmental friendly technologies in the production processes
- establishment or extension of industrial units for the alternative handling of packaging and other products consumed within Greece, so as to produce raw or other materials

2nd investment category

Manufacturing

- bio-fuels production, biomass solid fuel production, biomass production from agriculture for energy use
- desalination for drinkable water supply

Voluntary Actions

Since 2001 the EU Council has stated that an effective strategy for the embodiment of environmental protection in industrial policy cannot only depend on legislative requirements, but has to account for the market's own resources, as well as **voluntary actions**. Such initiatives contributing to an enterprise image are the **Ecolabel**, the development of an environmental management system certified by **EMAS** or **ISO 14000**,



and the **Business Awards for the Environment. Ecolabel** criteria have been established for hotel, resort and camping facilities, footwear, textiles, dyes and varnishes, cleansers and detergents, lubricants etc.

The **Greek Business Awards for the Environment** have been established in sequence to the respective European ones and are awarded every two years from PASEPPE³, namely for best environmental management, ecological product, clean technology and sustainable construction.

Since corporate social responsibility is promoted Europe-wide and internationally, businesses redirect their policies towards sustainable development. Environment is a parameter for promoting and developing innovation and competitiveness within the industry, by utilizing the advantages of environmental friendly technologies and the improvement of a "green" business image. All funding tools are in place to support such investment plans towards a greener world.

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³ Greek Association of Environmental Protection Companies