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# Europe's 'green revolution' off to patchy start

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The much-vaunted green economy promises a new stream of jobs at a time of rising unemployment, but are European companies ready to capitalise on this potential? EurActiv's media network looks at which countries are best-placed to benefit from the green revolution and examines the barriers facing smaller firms.

## Background

Creating jobs in low-carbon sectors – so-called 'green jobs' – is considered key to the implementation of the EU's climate and energy package adopted in December 2008 (see [EurActiv LinksDossier](#)). The overall EU ambition is to slash greenhouse-gas emissions and boost renewable energies by 20% by 2020.

Green jobs are also a key feature of the European Economic Recovery Plan, which features three public private partnerships (PPPs), including the Green Cars Initiative and measures to make buildings greener ([EurActiv 27/11/08](#)).

The green jobs issue has proved a divisive one, however. On one side, leading trade unions in have argued that "greening the economy" would threaten more jobs than it would create ([EurActiv 25/06/09](#)).

In contrast, a June 2009 WWF report claimed that the European economic stimulus packages were not "nearly green enough" and the EU was failing to kick-start the transition to a low-carbon, competitive economy ([EurActiv 17/06/09](#)).

This point has been echoed by Green MEPs, who argued that the EU needed to increase its emission reduction target if it was realistic about creating the promised new generation of green jobs ([EurActiv 16/03/10](#)).

While Europe's economic recovery plan had a major focus on the green economy, critics say the investment is not coordinated and will see the EU slip behind larger, more focused programmes being rolled out in China and the US.

A report by HSBC says Europe's investment in green industries is dwarfed by China, South Korea, Australia and Japan, but is on a par with the US ([EurActiv 02/11/09](#)).

With job creation now at the top of the political agenda in Europe, much attention has focused on whether new 'green' industries can replace some of the manufacturing and construction employment which has dried up in the wake of the economic crisis.

The difficulty for policymakers in Brussels is that the term 'green business' means different things to different people. Indeed, some countries have been quicker to embrace the idea than others.

The International Labour Organisation (ILO) says working out how many jobs can be

considered to be part of the green economy depends on how work is defined. The work of architects and plumbers has evolved to incorporate a greener view, but while these jobs could be called 'green', they are hardly new.

Scepticism remains as to whether low-carbon sectors – which tend to require considerable public sector investment – can swiftly deliver the kind of labour-intensive jobs needed to curb unemployment across Europe.

### Can big business and SMEs both be winners?

The question of whether big corporations or nimble SMEs will be the real winners in the green economy remains open. A number of large firms have been using their scale to work with local authorities on major projects such as the 'greening' of government-owned offices and housing stock.

However, big business often looks to SMEs as a source of niche solutions to specific technological problems. As usual, this kind of innovation requires financing – a problem continues to plague small firms.

Governments' role in driving green innovation through public procurement is set to come to the fore when the EU executive publishes its Single Market Act next month and will also feature in the forthcoming innovation strategy.

The trouble for businesses hoping for public support is the contradiction between politicians' pledges to back green business with the concurrent need for fiscal austerity. Business groups fear that while China and South Korea are pumping billions into low-carbon industry, governments in Europe are being forced to freeze – or cut – spending across the public sector.

## Positions

### France looking to capitalise on 'green potential'

In **France**, the government is giving its full support to the development of green jobs, many of which will be created in the solar photovoltaic sector, but precisely how much employment this will generate is not yet clear, EurActiv.fr reports.

"Will the number of green jobs created reach 600,000, 650,000 or one million? Whatever, the main point is to understand that many French jobs will be impacted by sustainable development in the future. It will not be a revolution but a total metamorphosis of our ways of production and consumption," **Ecology Minister Jean Louis Borloo** said earlier this year.

Since the end of 2008, the Ecoterritoires network has aimed to bring free support to green initiatives in French regions.

However, in times of budgetary constraint, the government is to reduce its sustainable development tax credit (crédit d'impôt développement durable) and redemption prices of photovoltaic electricity. These reductions are seen as a threat to the development of the renewable energy sector.

One should generally make a distinction between "eco-companies" and companies that want to be more respectful of the environment, according to **Guillaume de Bodard**, director of the environment and sustainable development commission at **CGPME** (SMEs' general confederation).

He told EurActiv.fr that "making the jobs greener" is a trend equally as important as the restrictive definition of "green jobs". Thus, there is big potential for SMEs to have greener activity, but "there should be a bigger interest for them to 'act green', all the more in a crisis period".

De Bodard also wants a green label project included in the Grenelle of the Environment as a tool to promote green business.

Some French companies are also seeking to develop themselves in external markets, for instance in the US, in order to benefit from a national stimulus plan that promotes green investment. Among them, Areva signed a clean energy park project in California in May 2010 to develop solar and wind energy.

### **German businesses warn against green hype**

In **Germany** some smaller companies have been quick to adapt to new opportunities in green industries, but face long-standing difficulties when it comes to exporting, reports EurActiv.de.

There is also some concern that the green revolution will be oversold as governments grapple for a new economic strategy in the face of rising joblessness.

**Dirk Schlotböller** from the **German Chambers of Industry and Commerce (DIHK)** stressed that the green tech sector had "a lot of potential and most of the suppliers in this sector are SMEs".

Nevertheless, it would be very difficult for SMEs to be successful in foreign markets, due to financial and language hurdles, he said, which explains why it is mostly bigger enterprises that are exporting green technologies from Germany.

Schlotböller said the green tech sector was not the job machine that it is supposed to be, even though it has great promise. "But since there is little reliable data, the real effect is difficult to estimate. We suggest not to overestimate the effects," he said.

### **UK firms fear budget cuts for green incentives**

In **Britain**, the recently-elected government is promising to plug the deficit by cutting waste and getting public spending under control. However, this has sparked concern in some quarters amid fears that the Comprehensive Spending Review (CSR), due to be published in October, will see cuts to renewable energy incentives and plans to 'green' port facilities.

Small business groups say SMEs are "keen to go green but need financial support so they don't go into the red". The **Federation of Small Businesses (FSB)** is calling for an expansion of the current loan scheme and incentives which help firms to green their buildings.

Finding up-front cash is the major disincentive for SMEs, but a zero per cent loan scheme for energy efficient equipment has helped overcome this barrier.

Another problem is that almost half of all SMEs rent their business premises – often for less than five years – and are reluctant to invest in energy-efficient renovations. The FSB wants banks, energy firms and construction companies to be incentivised to pay the upfront costs of major building energy efficiency upgrades.

The business group suggests that landlords who increase the rateable value of their property

through greening their premises should not face increased business rates.

"Small businesses can play a huge part in the UK's fight against climate change and we urge the government to harness this potential when it publishes its Energy Bill, expected later this parliament. If the correct policies are put in place now, then small businesses will have the potential to significantly reduce carbon emissions while also delivering the substantial economic growth that the UK economy desperately needs," said **John Walker**, national chairman of the FSB.

This sentiment is echoed by **Mike Childs**, **Friends of the Earth's** head of climate policy, who said SMEs have much to gain from cutting their emissions. "Insulating offices and producing clean energy will save thousands on fuel bills, and there's going to be plenty of new job opportunities as loft-ladders, roofers and technicians are needed to improve the UK's woefully inefficient buildings," he said.

### **Slovakian SMEs see downside of green revolution**

In **Slovakia**, the role of SMEs in the green revolution is complicated by questions of what the term "green revolution" really means, reports EurActiv.sk.

**Milan Chromik** from the National Agency for the Development of Small and Medium-sized Enterprises (**NADSME**) said the phenomenon is not widely accepted as a holistic approach to environmental projects and long-term sustainability. Instead, it is often presented as a new way of organising social, political and economic relations.

"Those relations are influenced by multinational companies and Slovak SMEs are often just their subcontractors," he explained.

He also sees threats arising from the green revolution. "There is a fundamental problem in linking green initiatives with industrial revolution and the direction of modern industrial society. While industrial revolution was the engine of entrepreneurship, green revolution is perceived by SMEs as a brake on business," he added.

Chromik also identified another problem: the level of R&D and education expenditure. "Education and research spending are directly connected to the development of green initiatives and the level of awareness of their importance. No other revolution exists without it, apart from a revolution followed by chaos and a consequent strengthening of bureaucratic burdens," he warned.

Big companies are more likely to win green contracts in Slovakia, according to Chromik, who stressed that Slovak environmental strategy primarily focuses on protection natural resources.

"Green investments in R&D and innovations are, and will continue to be, secondary for a while. Due to this fact, the competitiveness of SMEs when trying to win green contracts is weakened. SMEs in Slovakia are mostly playing the role of subcontractor of big companies and so the character of green contracts and the scope of their implementation are set by big companies. Big companies rather than SMEs have wider opportunities to avail of programmes under the Environmental Development Strategy," he concluded.

### **Poles investing in green energy sector**

In **Poland**, the energy sector, traditionally based on coal, is changing very rapidly, according to EurActiv.pl. Investors have already announced the construction of wind farms for 80 billion

zlotys (€20 billion), and the construction of biogas plants for nearly 10 billion zlotys (€2.5 billion). Sources of financing for such projects include EU funds and government programmes.

Building renewable energy capacity is attracting investment from government and entrepreneurs. Poland is constructing Europe's second largest biogas plant near Szczytno. The plant, with a capacity of 13.7 MW, will cost about 200 million zlotys (€50 million).

"Sales of green power will give us an additional source of income because the costs of agricultural production are increasing," said **Zbigniew Ronkiewicz**, director of **PPHU Agronex**. The company wants to benefit from the new grant programme launched by the National Fund for Environmental Protection and Water Management. In contrast to EU programmes, the Fund does not set an upper limit for funding, so it has attracted great interest.

The Fund spent 500 million zlotys (€125 million) over three years on grants and loans for agricultural biogas plants. The basic requirement is that the value of the investment exceeded 10 million zlotys (€2.5 million). For smaller projects, investors should benefit from the offer of provincial funds.

This year alone, companies raised financing for 103 biogas projects using EU and national funds. This amounts to 2.4 billion zlotys (€0.6 billion). According to estimates from the Institute for Renewable Energy, 300 such investments are currently in the pipeline. Their construction will cost about nine billion zlotys (€2.25 billion).

The potential of the Polish biogas market is comparable to that of Germany, according to **Przemysław Mroczkowski** from the **Institute for Renewable Energy**. If all of the planned projects are up and running by 2010, Poland will derive 20% of its energy from renewable sources.

### **Czech solar industry booms as wind dies down**

In the **Czech Republic**, green industries are enjoying mixed fortunes, companies in low-carbon sectors told EurActiv.cz. While the photovoltaic industry is currently enjoying a boom, resulting in many new jobs and the rapid development of businesses, the situation in the water energy industry is rather stable.

Meanwhile, the boom in wind energy identified around 2006 is slowly fading away. Some companies, such as hemp insulator producers, are even refusing to use the term "revolution" in connection with green business.

Czech green SMEs seem fearful that the Czech Republic could miss the opportunities promised by green business. They were worried that better public funding, higher political support and less bureaucracy in other European countries will mean that Czech companies will fall behind local competitors.

Entrepreneurs told EurActiv they are generally persuaded that the idea of green jobs is not just a dream but offers a genuine business opportunity. They agreed that the Czech green industry is still in the early days of development and that there is much to do.

Czech companies also believe that the genesis of green business in the Czech Republic will be provided by SMEs, because of their innovative capacity and flexibility. But as green business becomes "great business," they expect the arrival of bigger and stronger companies.

## EIB lends €550m to Italian SMEs for green projects

The European Investment Bank (EIB) and UniCredit Leasing have joined forces to offer €550 million to small businesses and environmental projects.

Companies involved in renewable energy and environmental infrastructure can avail of the two new credit lines provided to UniCredit by the EIB. The Italian lender has already helped channel EIB loans worth more than €1 billion to small firms over the past year alone.

"These loans will strengthen the relationship forged with UniCredit – one of the EIB's major partners – in operations in Italy, the rest of the European Union and neighbouring countries. In our country, they will provide support for Italian businesses at a time when it is essential to nurture the green shoots of economic recovery," said **EIB Vice-President Dario Scannapieco**, who is responsible for financing operations in Italy, Malta and the Western Balkans.

**UniCredit's Deputy CEO Sergio Ermotti** said the strategic partnership with the EIB will help foster growth among Italian SMEs.

## Next Steps

## Links

European Union

- European Parliament: [EPs call for an EU green jobs strategy by 2011](#) (8 Sept. 2010)