eTAP Environmental Technologies Action Plan

8th ETAP Forum on Eco-innovation
The Bilbao Declaration on Eco-innovation
Fostering eco-innovation in SMEs
June 2010

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eu 2010.es

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The Basque Government's Department of the Environment, Territorial Planning, Agriculture and Fisheries (IHOBE), in collaboration with the Spanish Ministry of Environment, Rural and Marine Affairs and the European Commission, planned to organize the 8th European Forum on Eco-Innovation in Bilbao in April 2010. The event was planned to be part of the Spanish Presidency of the European Union.

Unfortunately, given circumstances beyond the control of the organizers, the event had to be cancelled. Due to the importance of the topic in the face of the current economic and environmental pressures and in order to exploit the extensive preparatory work ahead of the event and the commitment of the speakers and participants, the organizers facilitated the creation of a "Bilbao Declaration on eco-innovation in SMEs".

The Declaration formulates recommendations addressed to the Commission and Member States on how to make eco-innovation a true driver for growth for European SMEs. The recommendations will feed into the work on the emerging innovation policy framework in the European Union and the Member States.

Bilbao, June 2010

1. Small and medium-sized enterprises (SMEs) are the backbone of the EU economy. They make up 99% of all businesses and employ over 100 million people. In the framework of the current economic crisis supporting entrepreneurial SMEs as a stepping stone to renewed and sustainable growth is the smart choice: SMEs are drivers for innovation, job creation and growth.

   The challenges and opportunities are enormous. In the last 25 years, the global economy has doubled – doubling use of resources. The economy is now five times bigger than 50 years ago, while the planet has fewer resources. For the fast-growing global population to achieve OECD levels of income by 2050, the economy would need to be 40 times bigger than now. Environmental pressures risk the long-term sustainability of the recovery. This is impossible; there must be fundamental change.

2. Eco-innovation offers a major opportunity – no longer a niche market, but a real driver for sustainability, bridging the gap between environmental protection and growth and jobs. The European and global environmental goods and services markets are growing rapidly. The annual turnover of European eco-industries is €319 billion – 2.5% of Europe's GDP. Eco-industry has been growing 8% annually, it is one of Europe's most dynamic sectors.

   Europe has benefitted from a competitive advantage in the €1 000 billion global market, which is expected to triple by 2030. The EU contributes one third of the world market and is a net exporter. Forward-looking environmental policies have led to first-mover advantages for European entrepreneurs. However, the pace of eco-innovation and scaling up in Europe is slowing. Europe risks being left behind. New competitors in the USA, South Korea, China and India, spurred on by massive public support, are showing interest in this fast-developing industry.

   Eco-innovation, resource efficiency and pollution abatement is not only about eco-industries. Moving to cleaner and more energy- and resource-efficient products, processes, and services will ensure a competitive advantage for industry irrespective of sector. SMEs, both as active developers and as adopters of eco-innovation, must exploit the emerging commercial opportunity.

3. SMEs represent our economy's future. They can provide the creativity and entrepreneurship that is required to achieve a system-innovation towards a resource efficient economy. For innovative SMEs to thrive, we must create a more business-friendly environment across Europe. However green entrepreneurs face additional specific barriers and challenges – such as access to finance, protection of intellectual property rights (IPR) and the skills gap – which slow the rapid take-up and dissemination of eco-innovation throughout the EU economy.

4. Eco-innovation is a relatively new and rapidly expanding field. Support and governance structures, network, skills and funding sources are only emerging. There is a lack of public funding and access to private finance is difficult, as innovative SMEs are often young companies and eco-innovation is seen as more risky than other fields of innovation. Public policies must de-risk eco-innovation and provide the necessary incentives to spur and leverage private funding for green growth.

5. A coordinated response is essential at local, national and EU levels to overcome these difficulties. The Environmental Technologies Action Plan (ETAP) concentrated and mobilised Member State and stakeholder efforts bringing eco-innovation from research to market, improving market conditions, opening up global markets. Rapid and reinforced actions are now required, building on the experience of ETAP.

6. **Policies to accelerate demand:** Increasing demand for eco-innovation and environmental goods and services. Regulation must promote eco-innovation, efficiency, performance and competitiveness. It must avoid lock-in to outdated solutions. Regulations must be regularly reviewed, be flexible to meet technical progress and must be enforced. A mix of instruments – technology standards, benchmarks, product performance requirements and market-based instruments – must complement regulation.

   The potential of the Eco-design Directive to support eco-innovation should be expanded to cover non-energy related products. In order for the SMEs to benefit from new product and process requirements, the extension of the Eco-design should be based on the "think small first" principle and provide at least timely information and sufficient time for adjustment. When possible extensive consultation must be initiated about (a) the standards in standardization in order that the information about environmental performances is correct and comparable; (b) the level of minimum performance required by law; and (c) future performances expected to be necessary to make the environmental ambitions become reality as an incentive to frontrunner eco-innovation developers.

   Green public procurement must be applied in order to to facilitate SME participation and generate uptake of innovative green technologies. Green procurement facilitates investment into innovative solutions by de-risking investment propositions for early stage eco-businesses and helps create a virtuous circle of demand, supply and investment on a sustainable basis. Forward-looking procurement will indicate the direction of change; life-cycle costing and the bundling of public

and private demand are necessary elements. Companies must be encouraged to introduce eco-innovative approaches in their business-models and investments. Citizens must be made aware of the need for and availability of green products through education and labelling.

7. **Getting eco-innovation to market:** Support for SMEs in development and market-introduction of eco-innovative products, processes and services, including integration of research and commercialisation. EU research programmes must sustain eco-innovation efforts and be fully open to SME participation. They must actively investigate emerging areas for eco-innovation, including re-design of existing material chains, cross-sector research, and user-led innovation, as well as improving dissemination and facilitating commercialisation of results. Support must be developed for pre- and post-research activities, including expansion of the CIP programme and use of structural funds. Eco-innovation and SME-friendly value chains must be created with the strength and dynamism to supply and pull eco-innovative solutions. Technical diligence and other verification schemes should be encouraged to prove the credentials of eco-innovation with the investors and final users.

8. **Greater green investment:** Action to encourage public funding and private-sector investment. Public authorities must reduce the risk of eco-innovative investments. Tax incentives, economic instruments and financial tools to leverage private investment in the sector must signal the commitment. A dynamic venture-capital market is a prerequisite for the success of eco-innovation. Education as to the business opportunity presented by eco-innovation is required for private-sector investors to change mindsets and invest in this rapidly emerging sector. Cohesion policy must become an important element of bridging the EU divergence in eco-innovation development and uptake.

9. **Green skills:** Promoting green jobs and providing workforce training to tackle the green skills gap in European SMEs. All jobs will increasingly involve a green element. Green training is needed at the earliest stage, including mainstreaming eco-innovation into technical fields of education. Current training needs must be mapped to identify gaps and solutions for dealing with them through suitable programmes on both the technical and management eco-innovation skills required. This requires optimising EU funding for national or regional initiatives to promote green technical and business skills.

10. **Green partnerships:** Building on existing networks and reinforcing links between eco- entrepreneurs. Organisations working with SMEs – trade associations, clusters or equipment suppliers – must be further mobilised to help them devise and implement eco-innovative solutions for their businesses. Such networks must be encouraged to work together across the EU to exchange solutions, improve dissemination of opportunities and challenges in eco-innovation and link supply and demand, in particular matching investors with entrepreneurs and strengthening the link with applied research in order to overcome the lack of R&D in SMEs. Mentoring schemes, corporate venturing, networking and clustering of green enterprises must be explored to provide green entrepreneurs with the necessary management skills and infrastructure to succeed. Partnerships with large enterprises are necessary to harness the transformative power of greening supply chains.

11. **International trade/co-operation:** The EU should be the driving force to speed the global transition to a green economy. Global growth will open up new opportunities for Europe's exporters. All external economic policy instruments, particularly development aid, must foster the growth of European green SMEs. Action must be taken at EU level to eliminate tariff and non-tariff barriers to international trade in environmental goods, technologies and services, while protecting IPR. Acting within the World Trade Organisation and bilaterally to secure better market access for eco-innovative entrepreneurs should be a key goal. The EU must streamline regulatory dialogue in the area of green growth by promoting equivalence, mutual recognition and convergence on key issues, as well as adoption of our rules and standards. Opening up global markets to eco-innovation will involve networking with SME-support facilities abroad, promotion of European green technologies and setting up of international technology-transfer mechanisms for SMEs.

12. **Political support:** Eco-innovation must gain political support and become a key objective of European policies. Eco-innovation is not a luxury but good business and essential for our future. The Europe 2020 strategy has set the key challenges facing the Union and the vision for transformation towards a green and sustainable economy. SMEs are an integral part of this solution. We now have to move towards implementation. A 'Green SME deal' would accelerate eco-innovation development. The new Eco-innovation Action Plan must set the direction of change and provide the means to achieve these ambitious goals. With adequate commitment and support from all parties at regional, national and European level, we can achieve eco-innovation, making it our way to exit the crisis and enter a new, green economy, delivering sustainable, smart and inclusive growth.

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