
DISCUSSION PAPER

Risky resources – Time to frame an EU approach to meeting the resource challenge

Annika Ahtonen and Andrea Frontini

Introduction

Resources, whether sources of energy, water, land, food or minerals, are diverse and face different challenges. They are used for different purposes and their management varies. However, the underlying reality is the same: pressure on resources is growing and more must be done to ensure that they are used more sustainably within and outside the EU. This is particularly in the interest of imported resource-dependent Europe.

While aiming to paint a picture of the European resource challenge in general, this Discussion Paper takes the water challenge within and outside the EU as an example action area and at the same time frames the context for the new *EPC Task Force on Blue Gold*. In the coming 12 months, this Task Force will explore the water challenge in and outside the EU, on-going efforts to tackle the challenge, and the related benefits. It will consider the role of internal and external EU policy instruments in the process, as well as the challenges and benefits of developing a common EU water policy.

1. Resources – why are they an issue?

The world is facing a major resource challenge which has serious implications for Europe. World population growth, and more specifically an increasing middle class, is putting enormous pressure on global resources such as energy, water, land, food and minerals. As a consequence, the environment is under enormous pressure. The world is losing its biodiversity. For example, species are becoming extinct at rates 100 to 1000 times greater than what is considered to be the normal pace.¹ Waste keeps accumulating. Not enough materials are recycled and, as a result, valuable resources are lost. Demand for food is growing. For instance, it is estimated that given a likely world population of around nine billion individuals by 2050, another one billion tonnes of cereals and 200 million extra tonnes of livestock products will have to be produced every year.² At the same time, food scarcity represents a pressing challenge: today, almost one billion people are reported to be undernourished, notably in Sub-Saharan Africa and Asia.³

In addition, as man-made greenhouse gas emissions continue to rise, climate change and associated extreme weather events are likely to increase, thereby affecting the availability of fertile land and fresh water and, consequently, food and energy production. Land degradation is already a concern: it is estimated that around 20% of irrigated land worldwide is salt-affected, leading to 2,500-5,000 km² of lost production every year.⁴ According to WWF, a 4°C rise in temperature would cause most of the world's glaciers to melt, thereby exhausting the Earth's largest freshwater reservoirs.⁵ These challenges are also coupled with environmental phenomena like increased soil erosion and deforestation.

A focus on water

The water cycle, from fresh ground water to sea water and back via evaporation and rain, is an essential part of the ecosystem and central to sustaining life on Earth. However, only 3% of the world's water reserves are fresh water and this share is decreasing at an alarming rate. Existing water supplies are increasingly under stress due to unsustainable land use, and economic activities such as energy generation, industrial production, agriculture and tourism. Water demand continues to rise due to population growth and urbanisation, notably in emerging countries, and contamination and geographically uneven distribution of freshwater sources have become serious threats to sustaining human life all over the world. According to recent forecasts, global water demand in 2030 could be up to 40% higher than current supply.⁶ In addition, climate change is expected to lead to an increase in floods and droughts and have a further negative impact on water supplies. These are both global and European challenges. However, despite its irreplaceable value for both mankind and ecosystems, water does not have the same economic value as, for example, energy sources.

Overexploitation of resources and environmental destruction lead to resource scarcity, which can have far-reaching and unforeseeable economic, social, political and security implications. Since resources such as energy, water, food, minerals and ecosystems are closely inter-related, changes in the supply and use of one resource can have serious implications for others.⁷ For example, a choice of a food crop can have significant implications on the input side, on the amount of water needed for irrigation. At the same time, on the output side, whether the crop is used as food or a biofuel will have an effect. To exemplify this: without an EU biofuel policy, close to 6 million hectares (0.7% of world total) less cereals, oilseeds, sugar crops and palm oil would be harvested in the world in 2020.⁸ Furthermore, the effects of resource overexploitation will seldom be limited to one region: spill-over effects are likely to be felt in geographically distant markets and communities.

A focus on water

Water scarcity poses a wide range of economic, social, political and security challenges. It is a challenge for Europe: 20 million Europeans lack access to quality water and safe sanitation.⁹ It has been estimated that, by 2007, at least 11% of Europe's population and 17% of its territory had been affected by water scarcity.¹⁰ Droughts have cost Europe €100 billion in the last 30 years.¹¹ On a global level, we are seeing increasing internal competition over access to food and fertile land, international disputes over control of transboundary water supplies and maritime resources, health problems due to unsafe water or lack of sanitation, and other humanitarian concerns.

World commodity prices have increased significantly in the last 10 years. This rise has been most significant with regard to industrial raw materials, partly due to increased demand in China.¹² As global competition for resources increases, prices rise and resource supplies become less secure. Price volatility may fuel even more uncertainty across the world.

Europe outsources the largest share of resource extraction in the world and is thus greatly affected by the global resource challenge. Raw materials, including energy imports, account for approximately 30% of EU imports, which in 2010 were worth €528 billion.¹³ The EU is dependent on energy imports such as oil and gas from just a few suppliers, from within Europe and, importantly, outside Europe – notably Russia and fossil fuel-rich countries in the Middle East and North Africa (MENA). It relies on outside sources of raw

materials for chemical, construction and other industrial sectors. For example, it needs rare earths from China to feed its high-tech and environmental industries. However, the urbanisation and industrialisation of countries such as China, India and Brazil is intensifying competition for raw materials, leading to stronger protectionist policies, export quotas and price volatility, thus posing serious challenges for resource import-dependent Europe.¹⁴ Continuing instability in the MENA region after the 'Arab Spring' again might push some EU member states to reconsider relations with their traditional energy suppliers in that area.¹⁵ Europe's vulnerability to price fluctuations and possible disruptions in the supply chain is an issue of concern, which is also affecting the competitiveness and profitability of its businesses.

In addition, potential changes in the availability and use of resources may have significant economic and strategic implications for Europe.¹⁶ The 'shale gas revolution' in the United States might dramatically reduce Washington's dependence on foreign energy supplies and partially reshape its traditional (geo)political interests in the MENA region, with implications for the region itself and also for Europe. Moreover, liquefied natural gas (LNG) is helping to empower customer countries *vis-à-vis* traditionally oligopolistic players in the global fossil fuel market. This gradual change in the structure of international energy relations could have significant economic and political consequences for gas-dependent Europe.

At the same time, Europe cannot escape the political, security and humanitarian implications of resource-driven crises outside its borders. International disputes over resources in the Middle East, for example between Egypt and Ethiopia over the Nile, and the increasing impact of climate change on land, food and water availability in Central and Eastern Africa, as seen in the massive drought affecting Somalia, Djibouti, Ethiopia and Kenya in 2011, have the potential to turn into drivers of regional turmoil.¹⁷ Moreover, traditionally recurring tensions and political mistrust between Russia and its Central and Eastern European neighbours over energy flows might continue to threaten security of supply in several EU countries, despite on-going diversification efforts, including through the Southern Corridor.¹⁸ The melting of permafrost in the Arctic region, in itself a major global concern, is also starting to strain relations between regional players over access to existing or presumed energy and mineral reserves.¹⁹ These developments can create instability in affected countries, triggering increased transboundary migratory flows, regional tensions or even conflicts.²⁰ The scramble for natural resources, notably land, water and food, has daunting implications for human security, potentially leading to violent clashes between local communities, civil wars and even the risk of state failure, as seen for example in Darfur, Sudan.²¹

A focus on water

Water scarcity has become a major source of political tension in several parts of the world, of which the Middle East and Sub-Saharan Africa command urgent attention in light of their geographical proximity to Europe. Indeed, access to water resources in the West Bank puts an additional strain on relations between the Palestinian Authority and Israel, contributing to the *inertia* of peace negotiations.²² In the Nile basin, Addis Ababa's decision to build the Grand Renaissance Dam has led to anxiety in relations between Egypt and Ethiopia, adding to the traditional cleavage between downstream and upstream countries.²³ Persisting divergences over national and local use of shared waters also affect political dialogue and hinder practical cooperation between neighbouring countries in the Great Lake region, in East Africa.²⁴

2. The EU needs a strategy...

Europe has a strong incentive to co-operate in meeting the global resource challenge and tackling its negative economic and social consequences, such as low growth and energy poverty.

A basic framework for this already exists. The Treaty of Lisbon states that the Union shall work for the sustainable development of Europe and also help to "develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure sustainable development".²⁵ Sustainable resource management requires a two-fold strategy: internal and external.

First of all, change must start at home. It is essential for Europe to promote production and consumption patterns that are based on maximising resource efficiency and environmental sustainability.²⁶ Europe needs to promote eco-efficiency, which means doing more – or the same – with less. It means resource efficiency: using and reusing resources more efficiently throughout our economy. It is about eco-innovation: developing and using products, processes and other solutions that contribute to environmental protection or efficient use of resources.

Moreover, as the scale of the resource challenge can easily lead to intensified competition over resources and even local or regional conflicts, it is important for Europe to promote cooperation and networking across the world, while protecting its own interests. Indeed, the EU has to address the on-going economic (including competition and trade), politico-diplomatic and security challenges that rise from weak resource management in the world. In the process, closer attention must be paid to improving the quality of global resource governance and strengthening those populations, ecosystems and economies which are most vulnerable to resource scarcity and the adverse impacts of climate change.

2.1. ... building on internal ...

So far most of the emphasis has been put on promoting a more sustainable economy within Europe. Resource efficiency became a flagship initiative under the 'Europe 2020' strategy, and the European Commission has published a number of other proposals which support these efforts and build on member states' existing commitments, including '*Energy 2020: A strategy for competitive, sustainable and secure energy*', '*A Roadmap for moving to a competitive low-carbon economy in 2050*', a '*White Paper roadmap to a Single European Transport Area*' and the '*EU biodiversity strategy to 2020*'.

A focus on water

In 2000, the Water Framework Directive established a legal basis to protect and restore clean water across Europe and ensure its long-term, sustainable use. It set an objective to put all lakes, rivers, streams and groundwater aquifers into a healthy state by 2015. However, progress has been slow: the Commission estimates that only 50% of waters will be in good shape by then. As a result, building on data and analysis from the European Environmental Agency's '*State of Water Report*', the Commission's '*Assessment of the member states' river basin management plans and Review of the policy on water scarcity and droughts*', and the '*Fitness check of EU freshwater policy*', the European Commission published in November 2012 the Communication '*A Blueprint to safeguard Europe's water resources*'. It aims to ensure that there is enough good quality water for all legitimate uses in Europe. In addition, the EU launched an '*European Innovation Partnership on Water*' in June 2012, which aims to support and facilitate the development and deployment of innovative solutions to help tackle the many water-related challenges both Europe and the world are facing.

While there is a framework for action in Europe, its implementation has been sluggish due to member states' slow buy-in and lack of interest in cooperating. After decades of debate, the EU still does not have a functioning energy market. There is no proper market for secondary raw materials, and resource prices do not reflect the true cost of consumption. Completing the single market for energy and putting greater emphasis on recycling could help Europe to secure a sustainable supply of energy and other raw materials, and reduce the impact of volatile prices on its economy. However, member states and public and private actors, including European citizens, have to be better informed about and convinced of these benefits. At the same time, the EU must build a bigger market for products and services that contribute to a greener economy.

2.2. ... and external policies

However, any internal strategy will be useless if it does not tackle in parallel the external dimensions of the resource challenge. The EU's Europe 2020 flagship initiative on resource efficiency highlights the issue as a

global concern and emphasises the importance of cooperation with key partners, including candidate countries and neighbours, in areas such as trade, research and development. It is recognised that cooperation could help to create a level playing field for industry, encouraging sustainable supply of raw materials, and promoting sustainable development and poverty reduction in developing countries.²⁷ Strategies, such as that on *'Tackling the challenges in commodity markets and on raw materials'* which sets out measures needed to secure and improve EU access to raw materials, are an important part of this process.²⁸

A focus on water

The EU recognises the global dimension of the water challenge, as highlighted, for example, in the three *Rio Conventions on Desertification, Climate Change and Biodiversity, the Millennium Development Goals* relating to water, the *Johannesburg Plan of Implementation* and the Rio+20 Conference. It has engaged in a number of activities to promote the protection and smarter use of water, and it aims to address the challenge when promoting food security, tackling desertification, and providing disaster relief. As a consumer of products that require water for their production, the EU also has a responsibility to contribute to wiser use of water worldwide.

EU external action on meeting the resource challenge builds on two objectives, which are interlinked and should be pursued together: promoting sustainable development and securing EU access to key resources.

Firstly, sustainable development has become a significant component of the European narrative, promoted via international cooperation, mostly in multilateral forums. As a result, the EU has tried to pursue a leading role in both the international climate change and Rio+20 negotiations.

A focus on water

Trans-boundary waters have historically been the subject of copious cross-border cooperation activities, some of which have taken the form of legally binding international conventions. Around 150 treaties on shared water resources have been signed in the past 50 years, most of which have focused either on hydropower or water utilisation. Examples of such agreements are those leading to the creation of the Mekong and Indus River Commissions and the establishment of a Joint Water Committee between Israel and Jordan.

The EU is a party, for example, to the *'United Nations Economic Commission for Europe (UNECE) Convention on the Protection and Use of Trans-boundary Watercourses and International Lakes'*. The Convention was concluded in 1992, and amended in 2003, as a regional instrument to prevent, control and reduce trans-boundary impacts, use trans-boundary waters in a reasonable and equitable way and ensure their sustainable management, and is in force among 30 parties.²⁹

However, there are also treaties which the EU has not joined, including the *'United Nations Convention on Non-Navigational Uses of International Water-courses'*, which was concluded as an annex to General Assembly Resolution 51/229 in 1997. This is the only treaty of universal applicability governing shared freshwater resources on the basis of three guiding principles: equitable and reasonable utilisation of international watercourses; application of appropriate measures to prevent harm to other states sharing an international water-course; and prior notification of planned measures. Despite its influence on the jurisprudence of the International Court of Justice, the limited number of signatories is still preventing the treaty from entering into force.

However, as long as member states do not cooperate on addressing the resource challenge internally and the EU fails to demonstrate to the outside world the benefits of following a sustainable growth path, the Union's attempts to parade as a world leader will have no effect. This role is further undermined by the contradiction between EU priorities and actions, which is reflected, for example, in the dumping of legal and illegal waste, including valuable materials, from Europe in developing countries. For as long as developing countries do not have the skills and technologies in place to turn waste into energy or to recycle

this material efficiently and safely, these exports and dumped waste will contribute to increasing global emissions and worsening environmental and health impacts outside the EU.³⁰

At the same time, EU development policy has embedded sustainable development and responsible local resource management into a number of on-field assistance projects.³¹ Support has been given to improve sanitation, fight hunger and encourage sustainable agriculture in priority countries and regions, notably Sub-Saharan Africa. However, it has proven difficult to fulfil the EU's sustainable development goals, including resource management and efficiency, and not only because the recipients keep tight control over where the money is spent. Development aid is also affected by budget constraints both at national and EU level due to the economic crisis. Another challenge has been misuse of the EU's operational and financial tools in the recipient countries, as a result of Brussels' project-management intricacies, poor involvement of civil society organisations, and flawed local practices, notably lack of transparency and corruption among authorities on the ground.³² This demands, among other things, a sounder understanding of complex political realities on the ground. While there is deep-rooted diplomatic expertise in some member states, there is room for improvement at EU level. Additionally, the risk of policy compartmentalisation in EU institutions, especially between the Commission and the European External Action Service (EEAS), may add another barrier to efficient use of available funding, hindering the much-needed combination of aid effectiveness and political influence in resource-deprived countries.³³ A more effective and resource-focused EU development policy is also due in light of the pervasive effects of climate change on the least developed countries, particularly on water and food supply, and the subsequent need to deliver adequate and climate-sensitive policy responses. This should be coupled with more strategic interaction with rising non-Western donors such as China, India and Gulf countries.³⁴

A focus on water

The EU spent more than €2.2 billion on water and sanitation programmes between 2007 and 2012, in order to improve access to clean water and sanitation.³⁵ The EU provides close to €400 million annually to help build infrastructure for drinking and waste water systems and provide basic sanitation and hygiene worldwide.³⁶

However, the aid programmes have also received criticism. The EU's 'WASH' programme, providing water aid to Sub-Saharan African countries, has recently come under severe criticism by the House of Lords' EU Sub-Committee on External Affairs in the UK. Following evidence from the European Court of Auditors, the Committee ascertained that fewer than half of the 23 sampled EU projects delivered results meeting the needs of beneficiaries in a satisfactory manner. Among other things, the Committee noted that the EU WASH programme failed to engage with local communities and organisations and "involved too much red tape when projects apply for EU funding". Therefore, a timely review of the EU's water-related development aids in the region is needed.³⁷

Secondly, protecting and securing the EU's own interests in accessing resources – and leading in the development of products and services that can support a more eco-efficient economy – has become increasingly important as a consequence of the economic crisis, which has had a devastating impact on Europe's growth and global competitiveness. A good example is trade policy. Although the scope of this paper does not allow a thorough analysis of green trade, trade of products and services with a lower environmental impact is one area with enormous market potential for EU companies. Many European businesses operate on global markets and, to get the best products to scale, they need an international level playing field for their operations and investments. International agreements and institutions such as the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organisation (WTO) can help create more equal conditions for competition and spur global markets for green technologies, products and knowledge.³⁸ While the work has started, the EU must continue to make use of available instruments, including trade policy, to create a functioning external market, where greener goods and services can get free and fair access to global markets. This would promote sustainable development across the world and benefit European industries too. At the same time, the EU must work to open up its market to non-European players and ensure that it does not limit access for foreign producers on a discriminatory and non-reciprocal basis.

The basis for EU action must be to ensure policy coherence between EU policies. For example, the EU should neither neglect its long-term interests, such as the development of an integrated and secure energy market within the EU and globally, nor undercut the pursuit of core values such as human rights, democracy, the rule of law and sustainable development when promoting energy relations and dealing with key energy producers like Russia and some Central Asian countries.³⁹

When working with external partners, there are also instances when the EU should look for ways to increase the political depth of its external resource-related policies. The EU tends to resort mainly to legal means when aiming to secure its interests amidst increasing competition over resources, as reflected in a number of on-going disputes, for example with China over rare earths, with Canada over tar sands, and with Russia's leading energy company Gazprom over alleged breaches of the EU's anti-monopolistic energy regulations. However, a law-based approach might sometimes be insufficient to pursue Europe's interests in global resource management, especially when dealing with non-Western emerging powers which might be more sensitive to political leverage both within and outside existing multilateral forums. The persisting stalemate in WTO negotiations shows that multilateralism does not always deliver, and coupling the EU's 'legalistic method' with a stronger politico-diplomatic approach, via *ad hoc* coalition-building and 'flexi-lateralism', could sometimes help. Actively pursuing international coalition-making might help to reverse, for example, the rather deluding outcome of recent multilateral conferences and meetings on climate change and sustainable development.

A number of attempts to forge a more ambitious and politically meaningful EU external action agenda on resource management have been seen in the last decade. The *2003 European Security Strategy* (ESS) identifies competition for natural resources, aggravated by the effects of climate change, as a key global challenge over the coming decades.⁴⁰ Despite being less clear and concrete in its policy recommendations, by recognising competition over resources as a largely political and governance-related problem, the ESS creates the basis for tackling it through more active and coherent foreign and security policies. Moreover, five years later, a significant addendum to the EES was also adopted, the '*Report on the implementation of the European Security Strategy*', explicitly describing climate change as a "threat multiplier" due to its severe security repercussions.⁴¹ The quest for a more comprehensive EU approach to the growing interrelatedness between climate change and resource scarcity was also initiated by the EEAS and the Commission in their '*Joint reflection paper on EU climate change diplomacy*', which made a number of concrete recommendations spanning from continuing the focus on climate change both in major multilateral forums and in relations with the EU's strategic partners – among which China and India – to an empowered role for EU Delegations in providing third countries with institution-building assistance in the area of climate change adaptation.⁴²

However, a more political approach will require a clear understanding among EU member states of the benefits of working together. As long as member states do not share the same values and objectives, it will be difficult to couple the legalistic approach with a political dimension. One good example is EU member states' energy relations with Russia: as long as there are member states that continue to prioritise bilateral energy relations and do not value the advantages of working in unison, the EU's political leverage will remain weak.

A focus on water

Water is becoming an increasingly important area of external action. An informal 'Gymnich' meeting of the Ministers of Foreign Affairs of the EU in Cyprus, in September 2012, discussed water scarcity and its implications on human well-being, economic development and regional security, thus paving the way for a structured reflection within the EEAS.⁴³ This, in turn, has led to an '*EU Water Security Mapping*' initiative, providing a picture of both EU and member states' water diplomacy engagements across the world.

In connection to that, in July 2013 the Foreign Affairs Council issued some '*Conclusions on EU Water Diplomacy*'. These acknowledge the growing bearing of water security on European interests and on international peace and security; call for comprehensive responses to such challenges by countries, international organisations and regional and sub-regional bodies; emphasise the EU's commitment to

tackle water issues notably through its development, environment and health programmes; identify trans-boundary water security as a key area of involvement for EU diplomacy, also on the basis of Europe's own experience and knowledge; highlight the situations in the Nile basin and Central Asia as particularly grave and invite EU actors and member states to facilitate sustainable and collaborative solutions; and encourage the elaboration of action plans for international cooperation and the incorporation of water diplomacy considerations in EU and member states' strategies, actions and tools, including through better intra-European coordination, representation in international forums and multi-stakeholder consultation.⁴⁴

All in all, Europe is still lacking an effective and coherent external strategy. More must be done to ensure that all relevant EU policies support sustainable resource management worldwide and that resource-related concerns are reflected in the daily conduct of EU foreign policy. Securing Europe's resource supplies, improving global governance, creating markets for resource efficiency and making sure that the most vulnerable are not forgotten in the process demands a proactive and coherent foreign policy, which seamlessly combines promotion of sustainable development and protection of Europe's vital interests.

3. Conclusions and policy recommendations

Global resource management poses a number of economic, political and security challenges for Europe, given the growing interrelatedness between resources, the high degree of dependence of European societies on external sources of supply and the impacts of climate change on resource availability both within and outside Europe. At the same time, spurring 'green markets' and helping those hit hardest by resource scarcity can offer European businesses vital opportunities to thrive, giving Europe as a whole a chance to project more soft power and political influence across the world.

The EU in particular has great potential to tackle the global resource challenge effectively, due to both its fully-fledged narrative as a world leader in sustainable development and its cross-cutting policy remit. What is more, the post-Lisbon architecture should allow the EU to progressively develop a truly integrated external policy toolbox, based on enhanced integration between EU internal and external policies as well as on a more holistic combination of intergovernmental and communitarian methods.⁴⁵

It is now time for the EU to promote a comprehensive policy approach that addresses the multiple impacts of the resource challenge, both internally and around the world. This must be kept in mind during the upcoming institutional and political milestones in 2013-2014, including the follow-up of the mid-term Review of the EEAS, published in late July, and the tenth anniversary of the ESS in December. In addition, it is important not to allow the agenda to be undermined by the change of the members of the European Parliament and the European Commission in 2014.

3.1. Change starts at home⁴⁶

The EU must ensure that resource efficiency and eco-innovation are integrated across relevant EU policies. Policy coherence and a horizontal approach to more efficient management of resources form the basis for action. It is time to recognise the value of resources like energy, water, land and raw materials as the basis of well-being and economic growth in Europe.

Before putting in place new directives or regulations, the EU must ensure implementation of existing policies on eco-efficiency. Harmonised implementation and better enforcement of pan-European legislation such as the '*Waste Framework Directive*', the '*Eco-design Directive*' and the '*Water Framework Directive*' is needed. However, should member states fail to implement the '*Energy Efficiency Directive*' by May/June 2014, the European Commission should set mandatory targets for energy efficiency.

The EU must help to build an internal market for products and services that contribute to a greener economy. More cooperation is needed across borders and institutions in research, development, and getting

products and services to markets. Taking a life-cycle approach that makes effective use and reuse of resources requires creating a market for secondary materials. A common framework for meeting the renewables target would help to ensure that they are located where they are most efficient. There must be a pull and not just a push for eco-efficient products and services: framework conditions such as taxation and competition policies should aim to provide a favourable environment for green growth, and minimum performance standards would help to remove the least resource-efficient products from the market.

Public and private investments in greener products and services must be increased. The allocation of money under the Common Agricultural Policy, research and innovation, transport, energy and regional funding must reflect the political importance assigned to green and smart growth under the Europe 2020 Strategy.

Europe also needs to build a knowledge-base on resource efficiency. The EU needs a comprehensive statistical framework on resource efficiency, which it can use for strategic planning. Member states must apply comparable methodologies, measurement systems and indicators for resource efficiency. Information for consumers must become more transparent, and smart metering or labelling of products could play an important role in this regard. Empowering consumers requires not only giving them better access to information but also providing them with opportunities and the ability to act on their knowledge. For example, special loans or bonus schemes can help to support sustainable consumer and public-sector behaviour.

Leading by example would provide a model for others. The EU must convince non-European players of its own success story: that sustainability and growth can go hand-in-hand. It needs to demonstrate and provide evidence that greater resource efficiency can reduce costs, increase competitiveness and provide security for other actors too.

3.2. Towards comprehensive, coherent and ambitious external action

More EU inter-service cooperation, especially in policy planning, on the external aspects of resource management should be pursued. This could take place, among other options, through an *ad hoc* Task Force involving representatives of the Council Secretariat, the EEAS and the European Commission, and opened to contributions by the European Parliament and member states. The involvement of European civil society organisations including NGOs and think tanks, as well as of representatives from the scientific and business sector, should also be actively sought.

More intra-EU teamwork could aim at developing a holistic approach to the resource challenge both in Europe and globally, and consider what instruments and financial resources are needed to tackle it successfully. Possible geographical priorities, for example the Southern Neighbourhood and Sub-Saharan Africa, and partnerships with key global players such as the United States and regional organisations like the African Union, should also be reflected upon in that exercise. The 2011 '*Joint reflection paper on EU climate change diplomacy*' could provide a useful methodological basis.

An ideal outcome of such process would be a draft list of policy guidelines on global resource management, to be circulated on the occasion of a Foreign Affairs Council meeting, and/or further developed in sub-strategies regarding specific resources. In this respect, the attention currently paid by the EEAS to the political and security dimensions of water could offer significant momentum to build upon, and should be used as the first building block of a wider, cross-cutting exercise.

Promoting greater eco-efficiency across the world requires an international market and a legal infrastructure. EU policies must contribute to creating a functioning external market, where greener goods and services can enjoy free access to global markets on fair terms and where the EU enjoys a stable supply of essential resources and raw materials. They must tackle the fragmentation and lack of transparency in global supply chains, resource nationalism, weak progress in multilateral trade liberalisation and the lack

of incentives to increase resource efficiency, which have affected the proper functioning of global commodity chains.

Creating a level playing field for eco-efficient products and services would require recognising and calculating the true cost of using resources throughout their life cycle. There should be a price for pollution and exploitation of resources, and the price of resources should internalise external costs such as process costs and ecological, health and safety costs related to using these resources. Acting alone is unfortunately not enough: the best eco-efficient products and services will only get to the market and enter into use if all countries play by the same rules.

The EU should take a more active role in international cooperation. As concrete steps, the EU should support Asia Pacific Economic Cooperation (APEC) in its current efforts to boost trade in environmentally friendly goods. It should also devote greater efforts to promoting the use of renewable energies in the MENA region, including through the Union for the Mediterranean (UfM). Moreover, it should help to resume WTO negotiations in all resource-related areas, for example via more compatible bilateral and intra-regional agreements. Finally, it should engage more thoroughly in capacity-building assistance and mutually beneficial R&D cooperation with partners, notably in its neighbourhood.⁴⁷

The EU should not forget that the strongest basis of negotiating power in global forums comes from leading by example and demonstrating the benefits of eco-efficiency. At the same time the EU should strive to be a leader in greener products and services, and to become a standard setter. The EU should promote solutions that reduce carbon leakage and increase resource efficiency both within and outside the EU.

As many will recall, the very start of Europe's unique integration process, the 1951 European Coal and Steel Community, was ultimately based on a solid understanding of the wider political implications of cross-border resource cooperation and inter-dependence. This makes the EU a privileged actor to tackle the resource challenge both within and outside its borders, and it should utilise internal norm setting, technological excellence and diplomatic networking for its benefit. The EU has the basis and the tools to show the way in global resource management.

A focus on water

A number of these recommendations are also relevant for tackling the water challenge in Europe and beyond. These recommendations, alongside the role of the EU, member states and industry, will be developed and discussed in more depth during the EPC's *Task Force on Blue Gold*.

This Discussion Paper is based on a shorter article published in the 2013 edition of the 'Think Global – Act European (TGAE). Thinking strategically about the EU's external action' directed by Notre Europe – Jacques Delors Institute and involving 16 European think tanks: Carnegie Europe, CCEIA, CER, CEPS, demosEUROPA, ECFR, EGMONT, EPC, Real Instituto Elcano, Eliamep, Europeum, FRIDE, IAI, Notre Europe – Jacques Delors Institute, SIEPS and SWP.

While aiming to paint a picture of the European resource challenge in general, this revised Discussion Paper pays special attention to the water challenge within and outside the EU. The EPC will continue to explore the challenges and opportunities related to the use and management of water during its Blue Gold Task Force meetings in 2013-2014.

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*EPC Discussion Papers aim to promote debate about current issues.
The views expressed are the sole responsibility of the authors.*

Endnotes

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