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## TERRITORIAL IMPACT OF EU SECTORAL POLICIES

### THE CASE OF AIR TRANSPORT POLICY, ENERGY PACKAGE AND THE 1<sup>ST</sup> PILLAR OF THE CAP

In the context of its participation in the First Action Programme of the European Union's Territorial Agenda, the CPMR, along with a number of other interregional and inter-city organisations, has been involved in a reflection on the territorial impact of EU sectoral policies, coordinated by the Spatial Planning Ministry of the Netherlands (action 2.4 of the Action Programme). The present paper, which aims to illustrate different types of territorial impact resulting from EU policies, constitutes the CPMR's contribution to this reflection.

The three examples chosen – energy policy, transport policy, and the Common Agricultural Policy – although presented in outline and only partially, nonetheless illustrate:

- that the notion of “territorial impact” covers a range of impacts on the ground that is very wide both in nature (economic, social, environmental impacts, etc.) and in scale (impact on the targeted region, on a specific group of territories such as island regions or outermost regions, or on a large, transnational, geographical area such as a sea basin, etc.);
- that all policies have potential territorial impacts, which are all the more difficult to identify and anticipate given the technical nature of the measures (legislative or financial) used to apply them and the fact that the actors concerned do not have a strong awareness of the territorial dimension of the issues at stake.

The examples given below highlight two main problems:

- It is very often the case that insufficient account is taken of the principle of territorial cohesion (whether according to its limited meaning, as in the TEU, or to the wider meaning given to this concept in the Treaty of Lisbon) in sectoral policies. This means that the access of certain European territories to the fundamental freedoms set forth in the Treaty is restricted, which as a principle is politically unacceptable. But it also means, in very concrete terms, that the economic development of these territories is penalised (because their physical accessibility is limited for example) or that their capacity to exploit new opportunities (sources of renewable energies for example) is restricted. In sum, ignoring the territorial impact of sectoral policies comes down to accepting that certain territories cannot take part in the Lisbon and Göteborg strategies, even though they may have valuable assets to be exploited in the context of the European project as a whole.
- Difficulties are heightened in certain regions because of the simultaneous and sometimes conflicting co-existence of certain sectoral policies (for example air transport vs. greenhouse gas reduction in the peripheral regions, which are more heavily dependent on this type of transport). Such situations call for the introduction of specific measures in the legislation and in the existing tools in order to limit such effects.

#### 1 – THE POTENTIAL TERRITORIAL IMPACTS OF A EUROPEAN POLICY UNDER CONSTRUCTION: THE EXAMPLE OF THE “ENERGY-CLIMATE” PACKAGE

The “energy-climate” package<sup>1</sup>, published on 23 January 2008, is currently being debated by the European Parliament. Among the many measures proposed, a number could seriously affect certain territories, such as the peripheral regions of the EU. The following are three brief examples<sup>2</sup>:

<sup>1</sup> COM(2008) 16, COM(2008)17, COM(2008)18 and COM(2008)19

<sup>2</sup> Position of the CPMR Political Bureau on the energy-climate package, 27/06/08,  
[http://www.crpm.org/pub/docs/181\\_engpaquetenergie\\_climat-bp.pdf](http://www.crpm.org/pub/docs/181_engpaquetenergie_climat-bp.pdf)

1. The proposal for a Directive of the European Parliament and of the Council, "amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading system of the Community", proposes setting a threshold for greenhouse gas emissions within the EU. This threshold would be gradually reduced, and it would up to firms in the sectors concerned to acquire the necessary emission allowances, which would be auctioned by Member States. This mechanism, intended to be extended progressively to aviation and to maritime transport, risks nonetheless penalising firms situated in the most peripheral areas, whose margins are often lower, which have a limited capacity to make higher bids, and which, above all, are more heavily dependent on transport costs for obtaining their supplies as well as for exporting their products. Paradoxically, the Commission's proposals include provision, in order to avoid "carbon leakage" for the allocation of allowances free of charge to large firms which are exposed to global competition and likely to relocate their activities outside the EU. The legislation in question, unless amended by Parliament, envisages absolutely no mechanism for a re-balancing between territories in order to offset any negative territorial impacts this mechanism may have.

2. Conversely, the text of the Directive on the promotion of the use of energy from renewable sources (COM(2008)19 final), taking up an already-existing provision, restates under Article 14 that "*Member States shall ensure that the charging of transmission and distribution fees does not discriminate against electricity from renewable energy sources, including in particular electricity from renewable energy sources produced in peripheral regions, such as island regions, and in regions of low population density.*" This point, which is fully consistent with the principle of territorial cohesion, is likely to be further strengthened, since the European Parliament's Committee on Industry, Research and Energy intends to make it more binding (Turmes Report).

3. In addition to the question of consistency between these legislative measures and the principle of territorial cohesion, there is also the question of the inconsistencies that may arise between different legislative texts, and the impacts that such conflicts could have in certain regions. This is the case for example, in the environmental field, where the measures of the energy-climate package, which seek to promote increased use of renewable energies, find themselves in conflict with the "Habitat" and "Bird" Directives which ban certain types of activities in special protected areas. Thus in Scotland, on the Isle of Lewis, one of the largest projects for a wind farm had to be abandoned because a significant part of the region's territory is designated a protected area. The Commission and Parliament are aware of this type of conflict, and an amendment in the Turmes Report (see above) has just underlined the need to ensure consistency between these legislative measures and to take account of the positive environmental impacts of the development of renewable energies when planning applications are made.

## **2 - EXAMPLE OF A POLICY UNDER REVIEW: THE COMMUNITY LEGISLATION ON TRANSPORT**

Community legislation on transport is abundant, technically complex and constantly changing. Generally speaking, the accessibility of the peripheral Regions is heavily dependent on sea or air transport. For the island Regions, which do not have the alternatives of road and rail, and are thus dependant on sea and air transport for their trade, this importance becomes vital. It is even more so for the outermost regions, where air transport is the only option offered to passengers. We present below two aspects of this legislation which have a strong impact on these regions and where there is a permanent risk of seeing these specific provisions disappear:

1. *Public Service Obligations (PSOs)*. An exception to the general principle of the free market, the imposition of Public Service Obligations guarantees links with a peripheral area under conditions of price and quality that are satisfactory for users. With certain slight differences depending on whether it concerns sea transport or air transport, Community legislation makes the granting of state aid to a transport operator conditional on the use of an EU-wide call for tender procedure. Justified on the grounds that it is necessary to introduce an element of competition and to seek to make the use of public funds more efficient, as well as through a desire to avoid distortions to the market, this procedure can however have pernicious effects. In the area of maritime transport, for example, most of the island regions are heavily dependent on the maritime sector for employment - whether the jobs are at sea or on the land-based installations. In granting a public service mission to a new operator able to offer services at a lower cost because it employs fewer staff and pays them less, the call for tender mechanism can have a very negative economic and social impact on this type of community. The savings made by the reduction of the public service subsidy are offset by a worsening of the social and employment situation, which the public authorities also have to deal with. There is no simple solution to this type of contradiction, which means that the procedures involving calls for tenders for island services take place in a very particular context, sometimes not very propitious for the full exercise of competition rules. Unfortunately, Community legislation in this area

allows neither for the global territorial impact of such a process to be integrated, nor for a case-by-case approach to be adopted.

2. The proposal for a Directive of the European Parliament and of the Council “amending Directive 2003/87/EC so as to include aviation activities in the scheme for greenhouse gas emission allowance trading within the Community” will result in an increase in the cost of air transport for both goods and passengers. This will affect the most peripheral regions in particular, and above all the islands and the outermost regions (these two last categories having a naturally reduced accessibility given the absence of road or rail alternatives, the outermost regions facing particularly important constraints of isolation and distance). The European Commission’s position has been to rely on the mechanism of Public Service Obligations (PSOs) to avoid such extra costs (either through the granting of derogations, as in the case of the outermost regions, or by leaving it up to the public authorities concerned to increase the amount of aid granted in the context of the public service mission, if necessary). However this mechanism takes absolutely no account of the fact that, because of the liberalisation of air transport, not all the air links to these territories automatically come under the PSO system, either because the Member State has refused to establish such a system, or because many of these links are run by charter or low-cost companies which, as a general rule, seek by their very nature to avoid the constraints inherent in PSOs.

### **3 – THE POTENTIAL TERRITORIAL IMPACTS OF THE CHANGES TO A HIGH-BUDGET POLICY: THE CASE OF THE FIRST PILLAR OF THE CAP**

In September 2007, the CPMR published a document aiming to estimate the impacts of potential changes to the CAP after 2013 – suppression of Market Price Support (MPS), strengthening of decoupling, transfer of funds to the second pillar of the CAP through increased compulsory modulation, etc. – on its member Regions, by measuring two indicators: the rate of support (level of aid granted to agricultural activity in a region) on the one hand, and the degree of economic dependency (dependence of farm incomes on first pillar support) on the other hand<sup>3</sup>.

Given the wide diversity of agricultural situations across the regions (in terms of the share of agricultural activity in regional economies, of agricultural specialisation or of farm structure) highlighted in the document, the anticipated impacts are of course different. Generally speaking, there is a clear downward North-South tendency in dependency on first pillar support: the southern (especially Mediterranean) regions are on average less dependent on such support than the northern regions. In a more detailed breakdown, seven “interest groups” were identified, which is an indication of the different degrees of vulnerability of the European Regions in the face of the changes to the first pillar of the CAP:

Group	Type of dependence		Example of Region
	MPS	Direct payments	
1	++++	++++	Swedish Regions, Wales (UK), North of England
2	++++	+++	North-West Germany, Danish Regions, North-West France
3	+++	++++	Finnish Regions, Poitou-Charentes (FR) + Midi-Pyrénées (FR)
4	+++	++	Emilia-Romagna (IT), Lombardia (IT), Cantabria (ES), Norte Portugal (PT)
5	++	++	Aquitaine (FR), Aragon (ES), Navarra (ES), Vale d’Aoste (IT), Castilla y León (ES)
6	++	+	Mediterranean Spanish, Italian, Greek and French Regions
7	+	+	Liguria (IT), Lazio (IT), Trentino (IT), Murcia, Canarias (ES)

<sup>3</sup> “Europe’s Peripheral Maritime Regions and Changes to the CAP – Elements of analysis and discussion concerning the first pillar”, available on request from the CPMR General Secretariat.