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Pàrlamaid na h-Alba

Official Report

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

Thursday 20 June 2013

Session 4

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RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE
23rd Meeting 2013, Session 4

CONVENER

*Rob Gibson (Caithness, Sutherland and Ross) (SNP)

DEPUTY CONVENER

*Graeme Dey (Angus South) (SNP)

COMMITTEE MEMBERS

*Jayne Baxter (Mid Scotland and Fife) (Lab)
*Claudia Beamish (South Scotland) (Lab)
*Nigel Don (Angus North and Mearns) (SNP)
Alex Fergusson (Galloway and West Dumfries) (Con)
*Jim Hume (South Scotland) (LD)
Richard Lyle (Central Scotland) (SNP)
*Angus MacDonald (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jamie McGrigor (Highlands and Islands) (Con) (Committee Substitute)
Commissioner Janez Potocnik (European Commission)

CLERK TO THE COMMITTEE

Lynn Tullis

LOCATION

Committee Room 2

Scottish Parliament

Rural Affairs, Climate Change and Environment Committee

Thursday 20 June 2013

[The Convener *opened the meeting at 09:04*]

European Priorities

The Convener (Rob Gibson): Good morning, everybody, and welcome to the 23rd meeting in 2013 of the Rural Affairs, Climate Change and Environment Committee. I remind members and the public to switch off their phones, as they can affect the broadcasting system. We have received apologies from Richard Lyle and Alex Fergusson. We welcome Jamie McGrigor, who attends in Alex Fergusson's place.

Jamie McGrigor (Highlands and Islands) (Con): Thank you, convener.

The Convener: Agenda item 1—the only item on today's agenda—is an evidence session on the committee's European priorities. I am delighted to welcome Janez Potočnik. As he is the Commissioner for the Environment, we are honoured to have his presence. I invite him to introduce his team and to say a few words about what he thinks the priorities are at present.

Commissioner Janez Potocnik (European Commission): Thank you. First of all, ladies and gentlemen and honourable members of the Parliament, I should say that I am very honoured to be here with you. I have with me a member of the cabinet, William Neale, and Joe Hennon, who is my spokesperson.

I will start with good news from Brussels: yesterday, finally, we adopted the new financial perspective—the multi-annual financial framework—so we can count on financing next year's activities. By the way, we also reached agreement in the trilogue on the seventh environmental action programme, which is basically the 10-year programme that we proposed to the European Parliament and the Council some time ago.

To be honest, I have two fully prepared speeches. One is a classical one that talks about what we are doing and what my priorities are, as well as the common agricultural policy and other things on which the committee knows best. As I believe that members will ask me questions about those issues, I will give the second speech, which is more about some of the challenges of today's time, my philosophy and how I approach issues connected to the environment. Its title is "New environmentalism."

I would like to talk to the committee about the context of our work and, in particular, the need for a new environmentalism. That begs the question, what is, or was, old environmentalism, and what is, or was, wrong with it. If old environmentalism was about putting limits on the excesses of our old path to prosperity, the job of new environmentalists is to show that there is a possible new path to prosperity and wellbeing through a sustainable model of economy and society.

I would not want to criticise old environmentalism or old environmentalists. I think that they were right, and we owe them a debt of gratitude. Much of the legislation that is preventing the worst excesses of our industrialisation and growth model was due to their courage and intelligence. We can thank them for cleaner air and water, safer products and better waste treatment. That approach should continue, but the world has changed.

We have known for a long time that our economic activities have an impact on the environment. Our reaction has generally been to legislate to protect excess and to punish polluters, but today we see that pressures on the environment are having a real and increasing impact on the economy. The soft laws of economics are coming up against the hard laws of physics as we hit physical resource constraints. We are beginning to see that tomorrow's growth will depend on making the environment part of our economic policy.

For me, that is the essence of new environmentalism. It is about tackling environmental problems before they happen and building environmentalism into our economic policy, our industrial policy, our energy policy, our transport policy and our agricultural and fisheries policies. I believe that that is the only way that we will be able to cope with the new economic paradigm, in which we share the physical limits of the earth with 140,000 new neighbours every day. By the way, that is equivalent to the population of my country—Slovenia—every two weeks and the population of your country in a month.

Europe's economies are built on decades, indeed centuries, of resource-intensive growth. Throughout their evolution and diversification, our industrial economies have provided great advances in wealth, health and living standards. However, at the same time, they have scarcely moved beyond the fundamental structure that was established in the early days of industrialisation, where economic growth relies heavily on the increasingly extensive use of cheap and abundant resources—not just minerals and metals but also natural capital. Our growth and competitiveness have been built on ever-increasing labour

productivity through innovation, and increasingly available and cheaper resources.

That worked well for as long as the global middle-class population numbered a few hundred million. Today that is no longer the case and, by 2030, an estimated further 3 billion will rise from subsistence to consumer economies and consumption habits. Our old resource-intensive growth model is simply not feasible on that scale and on a limited planet. Many of the resources on which our economies depend are already scarce, such as energy and some raw materials, and others are limited and vulnerable, such as clean water, clean air and nature.

In concrete terms, the global competition for resources will mean that we will be obliged to increase resource productivity, particularly in Europe, where we are dependent on imports of materials. However, resource scarcity will also mean that we will have to move away from our linear model of resource consumption, where we consider it normal to take, make, use and then throw away. Actuaries and risk analysts are already starting to look at companies' ability to resist input scarcity, price volatility and supply disruptions. The transition to resource efficiency and a circular economic model is inevitable, particularly for Europe.

For me, new environmentalism is about making sure that we make the change now, in a managed way, rather than when we hit environmental limits, tipping points and catastrophes. That is a major challenge—perhaps the principal challenge—for policy makers in Europe in the coming decades.

Members might well be asking whether this is not, therefore, a challenge for the private sector to face. Well, clever companies are certainly getting ready. They see that natural resources are a significant factor of production. They see that resource costs have become more critical to manufacturing productivity than labour costs. I speak regularly to such companies, and they reassure me that I am right, yet I am constantly aware that most companies have still not woken up. For many smaller companies, that is simply because they do not have the luxury of teams of strategists—they are just getting on with their core daily business. For others, it is because they are delaying the inevitable, trying to squeeze the remaining rent that they can get from the existing system, and living in never-never land.

If Europe's future—in macroeconomic terms—lies in maintaining competitiveness through better use and reuse of resources, what can new environmentalism do to facilitate that transition? The change in mentality is the biggest challenge with which we are confronted. Our economies are locked into the resource-intensive industrialisation and post-industrialisation growth paths of the past centuries. Global resource constraints mean that we have to change the way in which our economy functions and the way that we produce and consume—basically, the way that we live.

That fundamental change will not be easy, and there will be losers, but the earlier that we prepare, the fewer losers and the more winners there will be. Implementing the resource-efficiency agenda and moving to a circular economy is not only about policies and legislation; it requires the active engagement of all economic actors.

09:15

Legislation will still be important in setting the right framework conditions and investment predictability. That will be the role of Parliaments such as this one. Civil society and business will also have to play a key role. We will need to abandon old habits, systems, infrastructures and policies and redefine new ones that will allow us to live within the limits of our planet and obtain more value from less.

As policy makers, we must help our business sector to keep ahead of the curve in adapting to the global megatrend of increasing resource competition and constraints. If we do not do so, we will lose relative competitiveness to regions of the world that are not locked into our resource-intensive infrastructures and systems, and whose comparative advantage in terms of cheap labour and access to resources we will not be able to resist for long.

It is for public authorities, including at European Union level, to show leadership and give the right signals. We need to work towards consistent restructuring measures, and we need to build predictability and business confidence in the long and medium term so that business is ready to invest in the short term.

That is why our approach to environmental policy must be based on carrots as well as sticks. We need to go beyond the traditional three Cs—command, control and compliance, which formed the basis of the old environmentalism and are encapsulated in the polluter-pays principle—and develop the three Is: innovation, incentives and integration. Let me be clear: I did not say that we should get rid of the three Cs; it is just that they are no longer sufficient and we need to complement them.

Although it is enterprises that will innovate on the scale that is needed for our transition, it is public authorities and Governments that need to provide direction, incentives and leadership so that enterprises make the right investments in change. Currently, market forces are too slow and imperfect, the financial, business and economic

world takes too short-term a view, and politicians tend to work too tightly around electoral cycles.

We should work in parallel on three different timeframes. First, the transition requires a long-term vision for investments and systemic changes. Secondly, we need to support the medium-term potential of our green technology industries in Europe, which have a technological and market lead in markets that are developing fast globally. Thirdly, in the short term, we need to stimulate economic growth in the most promising sectors for quick growth. One such sector is waste and recycling; there is also retrofitting for energy efficiency, which has great potential for kick-starting our economies and creating quality jobs.

On Monday, we held a meeting of ministers, members of the European Parliament, chief executive officers and other stakeholders—the European resource efficiency platform—which adopted recommendations on the actions that we need in the short term if we are to become more resource efficient. The platform called for clear resource efficiency targets and a range of practical steps that businesses and public authorities can take to deliver the benefits of a more circular economy in which waste is practically eliminated. It was also keen to state that the distinction between the short term and the long term is a dangerous one. We cannot continue to argue that our short-term problems mean that we do not have the luxury of being able to think about the long term.

To provide the right framework, we need to give clear signals to the private sector so that it can make the up-front investments that are needed if it is to become more resource efficient, and so that companies are ready for input price increases and are not just responding to supply shocks. That is particularly important for small and medium-sized enterprises.

The European industrial policy that we put forward recently embraces that new philosophy with practical proposals for extending eco-design to recyclability, durability and material and water efficiency; for establishing industrial symbiosis schemes to bring together companies that have by-products and waste and companies that can use them; and for directing structural and cohesion funds towards waste treatment that focuses on recycling and composting.

The policy includes plans to develop common environmental footprinting methods, to calculate the sustainability of products and organisations on the basis of life-cycle assessment. That should help to cut costs for businesses that operate across the single market; it should also help to develop an effective single market for green goods and services that ensures that the best performers are rewarded for their efforts and that consumers can have confidence in environmental claims.

Parliaments have of course an essential role in shaping European policies and ensuring that they can be implemented at national and regional levels. Being in daily contact with voters and local organisations and business, Parliaments can ensure that environmental policy making is realistic, visible, understood and well grounded. This committee is responsible for the environment, and I believe that as legislators you should put environmental considerations at the centre of all policy areas in Scotland. Environmental policy should not be a ghetto; it should not be confined just to this committee or considered as a constraint on our economies—it must go hand in hand with economic policy. Developing a new economy that has sustainability at its heart and is based on a more efficient use of our natural resources will create jobs, support competitiveness and cut costs while preserving the health of our environment. Frankly, there is no reasonable alternative to that approach.

There are two major misconceptions that we often hear, the first of which is that, because of the economic crisis, we should focus first on short-term measures. The divide between the short term and long term is simply artificial and is leading to the postponement of some policy decisions that are absolutely necessary today if we want to respond to the challenges that we can see coming. How urgent is the situation? To take climate change, the reality is overshooting the estimates of all the models that we have created.

Secondly, I said earlier that there was an additional 140,000 people a day on the planet, and the committee will have heard that the world population will be 9 billion by 2050, although the date for that is actually 2045. I will translate that figure so that you will know exactly what it means: in one generation, we will have on the planet more additional people than the total world population at the beginning of the previous century. At that time, the total world population was 1.5 billion; in 30 years, we will have an additional 2 billion. So, the rules of the game are not the same any more.

On policy making based on short-term logic, we must admit as politicians that, although we would not be content with short-term thinking, we are rewarded for it by our voters. Business leaders are also rewarded for short-term thinking, because all business rewards are based on yearly, or even quarterly, accounts. That logic simply no longer fits the challenges that we face in the 21st century. That is the first major mistake that we must try to avoid making, and the second is the one that I have already mentioned: that environmental protection is an obstacle to economic growth in Europe.

According to the Organisation for Economic Co-operation and Development's figures for economic growth in Europe in the past five decades, the average rate in the 1960s was 5.4 per cent; in the 1970s, it was 3.8; in the 1980s, it was 3.1; in the 1990s, it was 2.3; and in the 2000s, it was 1.4—none of that was to do with environmental regulation. The world is changing and we face a totally different interconnected and interdependent world in which knowledge transits quickly across all countries' borders and people can invest in any part of the world in a fragment of a second. That is the reality, which of course means that we in Europe face many more problems than we did before.

The environmental story is crucial for European competitiveness. We have a resource-intensive economy, and the industrial revolution started here. Europe is one of the most densely populated continents. Throughout the 20th century, resource prices were dropping, except during the two world wars and the oil crisis, and the composite index was flat. However, from the beginning of this century, the trend has been what we call a hockey stick. The average increase in resource prices from 1998 to 2011 was 300 per cent, and 87 per cent of European companies expect that trend to continue with an increase in their input prices over the next five years.

Already, the cost structure of European industry is such that 18 per cent of the cost of German industry—the labour in Germany is not the cheapest, but I have the data for it—is devoted to labour and 43 per cent is devoted to resources. We economists speak about labour productivity, but we need to speak about total-factor productivity, as that is influencing competitiveness. In Europe, we are absolutely import dependent. We import 60 per cent of our energy and it is estimated that, in a decade or two, we will import 80 per cent. We import six times more raw materials than we export, which makes us the most import-dependent continent, per person.

Taking those things together, you do not need a PhD in economics to understand that, if we want to keep industry in Europe—and we do—we must take such things into account. Unless we recognise that we will be able to keep industry in Europe only if we produce the same products using less energy, less water, fewer raw materials and products that are reusable and recyclable, we are living in a world that does not exist. Ignoring those factors limits our potential for growth, so the story is just the opposite of what we sometimes hear.

Thank you for your attention.

The Convener: Thank you very much. We tune in closely to the definition of the new environmentalism that you talk about because, although our country is small, it can be a major contributor not only to production but, as a good example, to the thinking among others in Europe about how we should approach these particular crises. Given the time that is available, it would be best if we tried to split our questions into three areas. The first will be about maintaining nature and biodiversity, which is something that I know that members want to ask about; the second will be your views on resources; and we will leave the third area open for the moment and see what we want to pick up on.

We will start with nature and biodiversity. We face an enormous problem with unwanted invasive alien species. We are also dealing with diseases in many of our major plants, and we have problems with our bee population. Those are all issues on which members would like to ask questions. I will kick off with the up-front issue of neonicotinoids and the Commission's approach to them. Are Governments responding to the current research or are they objecting to the criteria that have been identified in your decision to ban neonicotinoids?

Commissioner Potocnik: One of my colleagues is responsible for that area, but I am following the debate closely because it is crucial for maintaining biodiversity. Frankly, member states have responded by not responding. There has been no quorum for supporting the ban and nor has there been one for blocking it. That is why it was down to the Commission to decide, and we decided as we did. We believe that it is crucial that we base our decisions on the science and on the knowledge that we have acquired, which is why we reached the decision to ban neonicotinoids for three years, if I remember correctly. The issue is very important. Bees, as a species, act as sensors of what is happening in the environment. We took responsibility for acting, as we need to take responsibility in such moments.

09:30

The Convener: On that point, we need—in your terminology—to have innovation, because we cannot go back to the previous chemicals that were used. Is there a sense that Europe can drive the research that will allow us to find other means to allow crops to grow and also to save bees?

Commissioner Potocnik: Of course, the answer is yes. I was previously the commissioner responsible for science and research and I know about all the effort that we are putting into that area.

I draw the honourable members' attention to the fact that, some time ago, we adopted the registration, evaluation, authorisation and restriction of chemicals—REACH—legislation,

which is a breakthrough on the risk management of chemicals. It is being used in Europe and is becoming pretty much a world standard. The United States is approaching the issue a bit differently, but China and other parts of the world are looking at how we work with the REACH legislation in Europe.

On the one hand, REACH basically creates an incentive for the industry to innovate in the direction that you mentioned. On the other hand, it ensures that our health is safe and it protects the environment. To be frank, we are remedying the mistakes that we made in the past, when we did not know as much as we do now and when we did not understand so well how such things are directly connected to human health and to the protection of the environment. Of course, when there is locked-in investment and people have invested in good faith, a transition process is needed during which those things are phased out. Basically, REACH is a clearly defined process through which we create a risk-managed environment in which chemicals are handled properly.

Jim Hume (South Scotland) (LD): Good morning, Mr Potočnik. I am glad that the Commission is looking at biodiversity. As the convener briefly mentioned, some of our concerns are to do with the spreading not just of alien species but of disease.

One of the most recent diseases to come to the shores of western Europe is Chalara fraxinae—sudden ash dieback. Ash is a common tree that is widely used in this country—not just for binding together the banks of rivers, but for other purposes—so it would be a great loss. Part of the spread of that disease has come because we have a lot of free trade within Europe. Free trade is good, of course, but it means that there is rapid movement of plant species and so on—nursery plants have come across from other European countries, for example. Has your Commission been looking at that issue? Locally sourced plants are not just genetically better because they are more aligned to the natural native species; there is also less chance of them spreading disease within Europe.

Commissioner Potocnik: Yes, indeed, we are looking at that issue. On the biodiversity strategy, I see that you have adopted your own strategy, which is functioning well. Also, the number of Natura 2000 sites that you have compared with the rest of the United Kingdom is quite impressive, even though I come from a country where the number of Natura 2000 sites that we have means that the total area that is protected is 37.16 per cent of Slovenia.

Invasive alien species were identified in our biodiversity strategy as one of the six areas on which we have to focus. We are in the final phase of the preparation of a legislative proposal at an EU level to deal with invasive alien species—of course, subsidiarity will be fully taken into account. The whole idea is that some things do not stop at borders, as you rightly said, and it does not really help if one country is dealing with something and a neighbouring country is not. That is why we think that joining forces makes sense. Members can therefore expect a proposal from the EU.

The matter is quite difficult to deal with because there are problems on the ground and we cannot avoid costs in handling them, but it is most important that we organise ourselves fast so that the information flows fast and we co-operate and prevent invasive species cases from becoming like the ash dieback case. We are aware of the matter and are working on it, and you can expect a proposal soon.

Jamie McGrigor: On what the Commission has done in respect of non-native species in Scotland, the setting up of the European alien species information network has certainly helped to provide information, but what physical action has been taken to help to eradicate or control species such as the signal crayfish, which has already arrived in this country, and to prevent the arrival of Gyrodactylus salaris, for example, which has not arrived, but which would be a disaster for our freshwater angling industry?

My second question relates to the convener's point about spraying. It appears that the United Kingdom Government wishes to reopen the dialogue on genetically modified crops. I do not wish for an opinion on that, but will the Commission talk about it in the near future in the context of the environment?

Commissioner Potocnik: You mentioned two things in the context of handling the invasive species problem and asked what can be done with things that have already arrived. The Commission can hardly help there, because those things have to be treated, organised and addressed from the bottom up. Where we can best help is in how we organise or reorganise to prevent things and better address matters before we get a problem. Predominantly, our proposal will deal with the prevention part.

Whatever the proposal is in the end, everything will have to be dealt with by the people on the ground who can deal with those things. It is really important that we create networks and information flows, and it is also necessary that we agree that, if one country takes care of a problem, the others must do so, too, because the situation simply cannot be handled by doing things in different ways—it is too serious for that.

GM crops were in the environment portfolio, but they are now in the health portfolio, and I cannot speak for my colleague and say how they intend to deal with that matter. The people who worked on it in the environment portfolio moved. The question is not the easiest one in the European Union. The member states will not easily agree about anything that would be a joint step on that.

Claudia Beamish (South Scotland) (Lab): Good morning, commissioner. I enjoyed the analysis of new environmentalism in your speech and hope to be able to ask a more general question later about some of the issues there.

We are focusing particularly on nature and biodiversity issues. I have two questions. First, do you have any comment on the missed targets on biodiversity and how effectively the European Union can work with individual countries to ensure that we meet our next targets? The specific reference is obviously to the UK and Scotland, but it is a general European issue.

My second question is on marine issues, which I believe are within your brief. Will you comment on the degree to which the Scottish Government will be able to take on the marine spatial plans and integrated coastal management around Scotland rather than having to follow dictation on that from the EU?

Commissioner Potocnik: On your first question, we started the work on the new biodiversity strategy for the reason that you mentioned, which is that we brutally missed the targets in 2010. We tried to create a different strategy that would not try to cover everything but would focus on the things that should deliver. By the way, I think that the Nagoya meeting of the Convention on Biological Diversity was one of the most successful meetings in which I have participated. For me, it revived hope for the possibility of a multinational environmental approach after all the difficulties that we have seen with climate change. We also reached agreement on access and benefit sharing, and we have the so-called Nagoya protocol.

In Europe, our response was the biodiversity strategy, which was also the response here in Scotland and in the United Kingdom. It is obvious that, via the way in which we have agreed on a new level, each of us has committed to doing our own part of the business. It is the EU's responsibility to ensure that we have all taken the necessary steps, but it is the responsibility of each of us to do the important part of the job. We appreciate any country that takes that job seriously and understands that the problem of biodiversity sits with climate change; it is at least at the level of the climate change challenge. Not understanding that and not taking the issue seriously enough would be a major mistake.

On marine issues, the Scottish Parliament passed the Marine (Scotland) Act 2010, and regional marine plans will be created by marine planning partnerships. Your act does not mention integrated coastal zone management, but it provides the mechanisms by which that can be delivered. I therefore do not think that you will have a problem with marine spatial planning and integrated coastal management, which is often an issue. Our estimate is that the way in which you are addressing those matters will lead to coherence and it is the way in which they should be handled.

Graeme Dey (Angus South) (SNP): Good morning, commissioner. How important to securing biodiversity is proper greening of the common agricultural policy? That would be greening that takes account of conditions within member states and is then perhaps regionalised beyond that. Where do you think we will end up on greening measures within the CAP?

09:45

Commissioner Potocnik: I wish that I knew. I hope that we will end up as we did with the reform of the common fisheries policy, which is great. We have had a major breakthrough there. Unfortunately, I do not think that we will go as far as we need to in the reform of the common agricultural policy.

I tried to explain the value of integration. It is fundamental that we understand the importance of the greening of the CAP for the integration approach. Either we pay farmers direct state aid to support their production, which contaminates water, and we then pay from the same budgets to decontaminate water, or we pay them not to contaminate water. The second approach makes sense. Basically, that is the logic of the public good. Normally, we pay public money for public good. We also have the choice to pay public money to somebody else. It is not a necessity that we pay it directly to farmers because the need for public money is pretty high and we have stressed budgets.

In saying that, I am not advocating against the common agricultural policy. On the contrary, we should simply use farmers, who are our managers of the land and forests, and pay them for the public good that they provide. However, for that, of course, they have to provide it. Managing water, biodiversity, soil and things that are connected to climate change are the all-important issues to us.

I was the major supporter of the CAP among Cioloş's colleagues under the condition that those changes would happen because, without them, the continuation of some of the past practices would simply lead to more problems and then, of

course, we would need to adopt regulation such as the nitrates directive. I know that farmers in your country are not happy with that directive, but you need it because you want—and we want—clean water at home. By the way, farmers also want that, as does everybody. Nobody wants polluted water that they cannot drink from the tap, and if we want clean water, we need to remedy the things that have already gone wrong.

It is a different philosophy to pay the same people not only not to do the same things but to do things in a way that we all know is consistent with nature and human health. That, for me, is the essence of the balance in the long-term partnership between environmental protection and farmers' interests because, in the long term, it is 100 per cent in the farmers' interests that they do things that are consistent with nature and health. Everything else ruins the land that they cultivate and that we stand on.

The easiest example of that balance between the long term and the short term concerns fishing. If you ask a fisherman what is in his longer-term interests, he will say that it is sustainable fishing because he wants to fish for a long time. If you ask an environmentalist what his long-term interest is, he will say that it is sustainable fishing because he wants to protect the fish and ensure that they are there for a long time. However, in the short term, the fisherman would catch all the fish because he sees the neighbouring fishermen catching everything in different ways and he is not competitive if he does not do that, but the environmentalist would ban fishing.

The agreement that we must reach is that, in the short term, we take long-term interests into consideration. That is valuable for the CAP. However, I am afraid that we will not get exactly the agreement that we need. The most intense discussions are going on. I am pretty positive that the steps that will be taken will go in the right direction, but none of the debate that I have heard in the Council and the Parliament went beyond what we proposed. It was all about where we could go a bit further back.

The Convener: The fact is that pillar 1 and pillar 2 are complementary. If we do not have cattle in our least favoured areas or areas of most natural constraint and if that land is abandoned, the ecosystems in which those cattle live are going to suffer. In other words, if we do not support cattle in those areas through pillar 1, the pillar 2 aims that we have been discussing—the greening—cannot happen. In Scotland, our highest nature value farming takes place in areas of least productivity, and the amounts in question are a major balance that we have to strike.

Commissioner Potocnik: Commissioner Cioloş and I wanted to move some of the things that had been covered by pillar 2 to pillar 1 and to make them not voluntary but obligatory for everyone; at the same time, we wanted to keep things as simple as possible to ensure that we did not complicate farmers' lives. By doing that, we created room for manoeuvre in pillar 2 to ensure that it could be used effectively by member states and regions to address their own different programmes. That was the philosophy behind the change—to create more space for individual action by making obligatory some of the things that everyone was already doing. Not many things would have to be added to the obligatory part of the programme, which would be run by the member states, but there would be room for individual actions in rural areas.

The Convener: Jamie McGrigor has a short question, and then Claudia Beamish will ask a more general one.

Jamie McGrigor: Commissioner, you mentioned fisheries, which are obviously vital to Scotland. In 2010, when you set out plans for a common fisheries policy, you talked about

"A new fisheries policy which lets fishermen earn their living, but not just today, also for tomorrow."

Those are your words, and you also mentioned

"A new fisheries policy which doesn't jeopardise biodiversity or the conservation status of exploited species."

A big problem for the pelagic industry in Scotland is overfishing of mackerel and herring stocks by Iceland and the Faroes. I know that the EU has announced its intention to impose sanctions on the Faroes for overfishing herring and that they will also cover mackerel. How can you bring the Faroese and the Icelanders back to the table quickly to stop the overexploitation of a stock on which 17 EU countries depend?

Commissioner Potocnik: The situation with the Faroes is a bit different but, a week ago, Iceland unfortunately stated that it did not want to continue with accession talks. The fact is that the accession negotiations are the strongest tool that we can use in such matters. I was Slovenia's chief negotiator and I remember very well what accession to the EU meant. It was like joining a golf club where everything down to your shoes is prescribed. You have to obey the rules, and our fisheries policy is pretty strict. Unfortunately, for those who are not members, we need to use international agreements to their utmost, and that is what we intend to do. It is impossible for us to do any more than that, because it would be outwith our scope.

The Convener: We have discussed some resources. Of course there are others that we could discuss, but we are nearing the end of the commissioner's limited time with us. Claudia Beamish will ask a very short question to finish.

Claudia Beamish: I am glad that you chose to give us the second of your two speeches, commissioner, because it has certainly set the tone for our future deliberations. Thank you for that. I know that your time is limited, but will you tell us about the work that I believe you are taking forward on finding alternative economic measures for Europe? Is any of that work concerned with finding alternatives to, for example, individual countries' gross domestic product?

Commissioner Potocnik: Well, that is a big question.

The Convener: I thought that you were going to ask a short one, Claudia.

Commissioner Potocnik: As the question covers everything, I will focus on what I think are the most important game-changers with regard to market incentives. Most important of all, we want to use the semester process through which we co-ordinate the activities of member states to propose changes to specific measures in those countries. For example, we have suggested a shift from labour tax to resource taxes, the removal of environmentally harmful subsidies and the greening of public procurement. As public procurement accounts for 18 per cent of European GDP, it could be an enormous force for change if it is used in a smart way.

We also propose a better use of innovation, particularly in water efficiency and waste treatment, and we are shifting our internal tools to ensure that they are more aligned with our legislation. For example, no more public money from EU structural cohesion funds will be available for landfill schemes, because they are simply not in line with our waste hierarchy approach. We are happy to finance recycling facilities and even to discuss incineration on a case-by-case basis, but it is absolutely clear that we need to remove landfill from our considerations. We are working on an eco-innovation action plan, because we believe that innovation will be a major power if it is used properly and the right incentives are given. That is why I think that all the issues that we are discussing are the core ones.

I note that everyone is talking about the increase in energy prices. Unfortunately, I think that high energy prices are here to stay. All the International Energy Agency's estimates suggest that, because of import dependency and other clearly framed factors, European energy prices will be higher than those in the United States or China, although I note that they will still be lower than those in Japan. It is just a fact of life. I agree that we need to discuss and address such matters, but it is more important that any decision that we make about our future structures factors in high energy prices. That is the proper answer to those challenges.

We are trying to address such issues in line with the philosophy that I have already explained. I absolutely believe that, if we attempt to defend the indefensible and protect some of our industry simply out of kindness, we will not be able to make the structural shift that that industry needs. Of course, it will have to do that job itself, but where interests are locked in, changing such things is a problem.

The Convener: Thank you for visiting us, commissioner. We have had only a short time for questions, but we as a committee would appreciate it if we could keep in touch with you and perhaps meet you in Brussels at some time in the near future to follow up this very interesting conversation. You have provided us with good food for thought and I thank you and your officials for taking the time to see us. Perhaps, before you go, we can get a photograph of you with the committee.

Our next meeting, which will be the last before the summer recess, will take place on 26 June. We will hear evidence on land reform from the chair of the land reform review group, consider a draft report on the Regulatory Reform (Scotland) Bill and discuss the committee's future work programme.

Commissioner Potocnik: I was honoured to receive the invitation to appear before the committee, convener. Whenever you feel that it would be useful to meet in Brussels, I will be there.

The Convener: Thank you.

Meeting closed at 09:59.

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