

2. Environmental policy and integration into the European Union

Recent years have been particularly significant for Latvia, because as we await 2003 we find ourselves on the verge of becoming citizens of the European Union with the full set of rights that accord with that status. Therefore within the context of the overall globalisation process it is more vital than ever before to understand each country's, including Latvia's, place and mission in the interaction of global activities and the increase of its welfare. This does not only apply to attempts being made to reduce the overall level of global poverty and injustice. It also applies to establishing the non-exhausting production of natural resources at the heart of the *new economy* by replacing the morality of the *consumer society* with a respectful attitude towards one's fellow man and towards all living things that make up the diversity of nature.

Not for nothing do the European Commission findings on Latvia's application to join the European Union also determine that "the **environmental policy** emanating from the European Union agreement (*the Amsterdam Treaty*; repeatedly approved during the Vienna Summit in December, 1998) **is geared towards sustainability that is based on the incorporation of nature conservation in EU sector policy,**" (highlighted by *I.B.*). Additionally, the "European agreement requires that Latvia develop and implement such a development policy that would be governed by the principles of sustainable development and into which environmental consideration are completely built in" Let us remind ourselves of the three most vital sustainability principles:

- **requirements** – emphasising the principle of equality and integrity;
- **precautionary or long-term vision** – linking the environment's finite means of satisfying current and future needs with the development level of contemporary technology and social organisation;
- **system approach** – the observation of the interaction between the environment, society and the economy.

Duties towards one another and mutual respect for one another are at the heart of the sustainable development process along with the undertaking of all obligations required in acceding to 15 European Unions member states. In essence, this same philosophy was also incorporated in the Copenhagen European Council political forum, which determined that a candidate country would be able to become an EU member country, as soon as it would be ready to take on the duties of a member country as well as fulfil the economic and political criteria set out by the EU. During this summit, the EU member states defined the **accession criteria**, which in future also came to be known as the Copenhagen criteria or basic criteria:

- **political criterion** - the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- **economic criterion** - the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the European Union;
- **criterion concerning adoption of the Community *acquis*,**

the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union. /2/

The Copenhagen European Council not only approved the principle of the EU's enlargement to embrace the associated countries of Central and Eastern Europe, it also defined the criteria which applicants would have to meet before they could join the Community.

In addition to the accession criteria determined in Copenhagen, at its Madrid summit at the end of 1995 the EU Council referred to the **institutional capacity of the state administration** to adopt and implement the European Community *acquis* as at the date of accession as a prerequisite for a successful integration process.

In Luxembourg, on June 12, 1995 Latvia signed a "European Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Latvia, of the other part". Also known as the Association Agreement, which came into force on February 1st, 1998, this agreement may be viewed as the legal platform for the relationship between EU member states and Latvia during EU pre-accession process. The European Agreement signed with Latvia foresees the gradual establishment of a free trade area for goods and services between the Community and Latvia and the establishment of an appropriate framework for the political dialogue between the Community and Latvia allowing the development of close political relations. It also foresees the harmonisation or alignment of Latvian legislative acts in conformity with the EU requirements (known by the title *acquis communautaire*) and for the establishment of a basis for economic, financial, cultural and social co-operation and co-operation in the prevention of illegal activities, as well as for the Community's assistance to Latvia in other areas.

Negotiations on accession to the European Union with Estonia, Slovenia, Hungary, Poland and the Czech Republic were begun on March 31, 1998. Similar negotiations with Romania, Slovakia, Bulgaria, Lithuania and Latvia began with February 15, 2000. In the area of environmental protection, Latvia officially submitted its position (with 23 transition periods) on November 14, 2000. Negotiations on the environmental section were officially begun on March 30, 2001.

At the beginning of 2001 the EU presidency was taken over by Sweden, which set out environmental protection, employment and EU enlargement as the priorities under its presidency. Taking this into account, serious developments were noted within the environmental protection chapter of the accession negotiations taking place between the EU and candidate states.

During Sweden's presidency, environmental chapter negotiations were provisionally entered into with 5 states: Slovenia, Estonia, the Czech Republic, Hungary and Lithuania. Discussions with Latvia in the environmental chapter were entered into during the period of the Belgian presidency (28.11.2001). Latvia was awarded 8 transition periods related to:

- waste water treatment;
- drinking water supply;
- the control of emissions of volatile organic compounds (VOC's) in petrol storage and distribution from oil terminals to petrol service stations (PSS);
- the temporary storage of hazardous waste for a period that exceeds 12 months in storage installations that do not fully comply the conditions set out in directives in relation to hazardous waste landfills;
- implementation of chapter 6 of the directives in relation to packaging and packaging waste;
- directives regarding the eradication of integrated pollution prevention and control of requirements regarding the implementation of the best available technological practice in enterprises;
- the safe disposal of hazardous waste containing asbestos in an appropriate landfill for hazardous waste;
- the implementation of improvements in the protection of human health against the hazards of ionising radiation resulting from medical exposure to radiation.

It should be noted that in comparison to the other nine countries that have entered into environmental protections chapter, Latvia has managed to achieve a significant number of transition periods that are provided for a considered and perhaps not quite so hurried implementation of EU regulatory enactments. At the present time, only Poland has more such periods.

2001 was significant not only for Latvia, but for all of Europe and the world. In the middle of June during the Gothenburg summit organised by the European Council, heads of state agreed on the initial priorities of the European Union's strategy for sustainable development. In Gothenburg, a new approach to the entire policy development process was declared acknowledging the following principle to be the most important: all economic, social and environmental aspects of sectors and policies must be assessed in mutual co-ordination and only then should decisions be taken. The phrase "Getting prices right!" became popular here, which demonstrated that the real costs of various types of public activity could serve as a positive stimulus for manufacturers and consumers by helping them to choose precisely which goods and services to provide on a daily basis. /15/

Therefore the main principles of environmental policy both in European Union and in Latvia (to be viewed as undeniable benefits for the whole of society) are:

- **the polluter pays** – this means that the person or company that creates pollution shall cover the costs that are related to the assessment, reduction of prevention of the pollution created;
- **sustainable development** – provides for more conservative utilisation of natural resources, always bearing in mind the current needs of inhabitants whilst also guaranteeing the necessary natural resources, biological diversity and clean environment for future generations;
- **impact on the environment** – more and more often society must be engaged in discussions regarding projects of such public significance that can create important changes not only within the environment itself but which

may also affect public health and safety (for example, the construction of car parks and petrol service stations or terminals, creation of landfills for waste etc.).

Implementation costs for EU directives in the public sector and the social benefits from the improvements in the quality of the environment

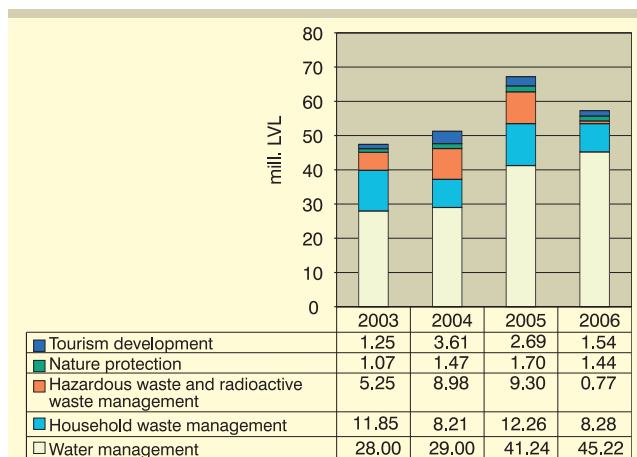


Figure 2.1. Required investments in environmental sectors
Source: MoEPRD "Environmental investment strategy 2003-2006"

It is undeniable that the implementation of European Union Directives in the environmental sector will be linked to certain costs, which will need to be covered from public revenues. There will be various sources of funding for the covering of these costs - tariff payments for services related to social infrastructure (water supply, urban waste water treatment, household waste management), the instrument of national and local government budgets, foreign aid programme (PHARE, ISPA; EU Cohesion funds as Latvia prepares to join the EU) instruments etc. Private investments are also provided for in individual sectors.

Specific plans for the implementation of Directives have been developed for the main sectors, which are reflected overall in "Environmental investment strategy 2003-2006". The implementation costs of directives in relation to individual sectors for the entire period to which the transition periods achieved in the accession negotiations apply (maximum - until 2015) are depicted in figure 2.2.

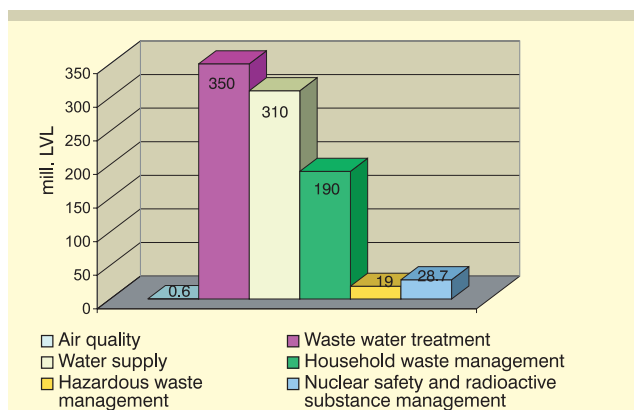
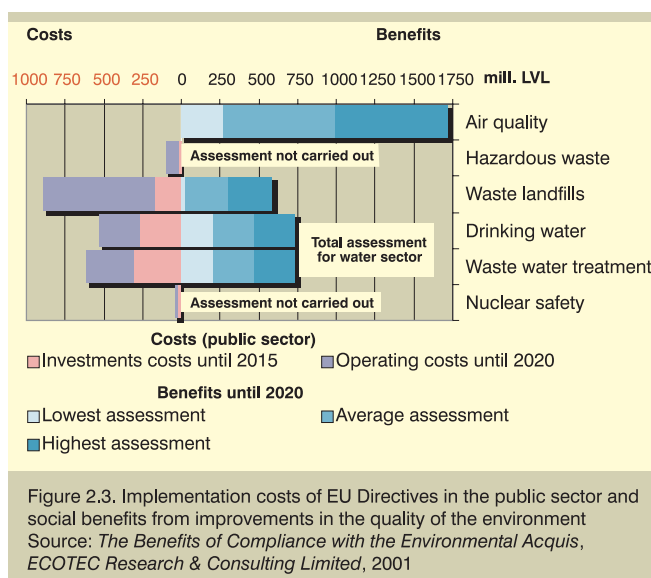


Figure 2.2. Total (approximate) implementation expenses costs of directives until 2015 for individual environmental sectors
Source: EU Phare project LAT-108 "Development of the Latvian Implementation Programme for Approximation of EU legislation", Final report

In Latvia, the initial assessments of the investments required for the implementation of directives as ordered by the European Commission were carried out during the pre-accession process using methodology, similar for all EU candidate countries, by foreign consulting firms together with local specialists (project Lat-108 "Development of the Latvian Implementation Programme for Approximation of EU legislation"). The data attained in this survey are constantly being specified making up the corresponding medium term investment strategy. Utilising investment estimates and empirical assessments regarding the relationship between operating costs and capital costs in specific sectors, annual operating cost assessments have also been carried out until 2015.

In turn, in order to assess the expected social benefits that will be created in candidate countries with the implementation of the EU environmental protection Directives, a survey was carried as ordered by the European Commission ("The Benefits of Compliance with the Environmental Acquis", ECOTEC Research & Consulting Limited, 2001). Latvia was included in this survey. The methods, which were used in the analysis of benefits, provide an insight into benefits that may be assessed in qualitative, quantitative and monetised terms. The application of the monetisation method of environmental values (benefits) is related to many assumptions on which the result of the assessment depends. Therefore assessments (in various assumption systems) are given upper and lower limits. The most credible monetary assessment is found within this range and if there are no other arguments, then it is assumed that this is the average value of the assessment range.

It is possible to compare the results of the referred to assessments (investment and operating costs, as well as monetised benefits) by unifying the methods of economic analysis used therein. The diagram (Figure 2.3.) depicts the current value balance of the flow of costs and benefits - monetised assessments - (in both cases discounted by 4% by economic sector until 2020.



Sources:

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- /2/ Latvia`s National Programme for Integration into the

European Union 2001, Latvian National Programme for Adoption of *Acquis*, Riga, 2001

/3/ Position Paper of the Republic of Latvia, Chapter 22: "Environmental protection"

/4/ Annexes to the Position Paper of the Republic of Latvia, Chapter 22: "Environmental protection"- submitted to the European Commission in August, 2001

/5/ Latvia`s Progress Report 2002

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