



Blue Growth, Sustainability and Water Industries

Baltic Sea Conference 2013 - Copenhagen 3 October

Setting the Scene: Background Reading for the

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## Setting the Scene – Background Reading for the

# Baltic Sea Conference 2013: Blue Growth, Sustainability and Water Industries<sup>1</sup>

Copenhagen, 3 October 2013

The Baltic Sea is a shared resource which has provided economic foundation, ecosystem services, prosperity and well-being throughout history to the populations living around it. Today the ecological state of the Baltic Sea is fragile, and finding ways of stimulating innovation and growth that goes hand in hand with sustainable development is more urgent than ever.

There is only one Baltic Sea. This same body of water serves many purposes, and decisions about its use should not be made in isolation. Our approaches must be holistic and cross-sectorial. New alliances between public, private and international partners are needed to unlock the potential for growth from the maritime economy, boost green and blue technology development, and to turn the environmental challenges into future opportunities for innovation and sustainable development. Synergies exist between growth and environmental protection, and growth is not possible without environmental protection.

There is also a need to better connect activities on land to what goes on at sea. The concepts of water from Source to Sea, or from Hilltop to Ocean (H<sub>2</sub>O), illustrates the need for an integrated and holistic approach to water management in the Baltic Sea Region.

The Baltic Development Forum has taken up the challenge to create a forum where all stakeholders can join efforts to develop a holistic approach to water management and

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<sup>1</sup> This publication is by the Baltic Development Forum only.

blue growth in the Baltic Sea Region. Key European and regional actors are supporting us this year; in particular the European Commission, DG Mare and the HELCOM Presidency in ensuring relevant and different perspectives.

A substantial amount of research has been carried out in recent years giving us a basis for deciding where to invest in green and blue growth. Political decisions are being made. In the field of Blue Growth, the EU ministers responsible for maritime affairs welcomed the European Commission's Communication on Blue Growth<sup>2</sup> and adopted a Limassol declaration "Marine and Maritime Agenda for Growth and Jobs" which was further endorsed by the Council in December 2012. The Baltic Sea Region has a chance of playing an important role in promoting and implementing this ambitious agenda and to take innovative steps in combining Blue and Green Growth.

The Baltic Sea Region has a long tradition of collaboration and therefore well equipped to deal with transboundary challenges and issues. The negative side effect of this is the multitude of regional platforms and actors playing a role at different levels: Supra-national, national, regional, sub-regional, city and NGOs and grass-roots. With the EUSBSR a closer and clarifying relationship between regional and European integration has evolved. In maritime field, global actors such as the International Maritime Organisation play an important framework setting role.

Often there is a call for a joint platform for addressing cross-cutting issues and not the least to improve the dialogue with the private sector. Most recently the St. Petersburg declaration urged for such a dialogue. Baltic Development Forum is prepared to act as a common platform and is ready to follow up in organizing a recurring Baltic Sea Conference.

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<sup>2</sup> [http://ec.europa.eu/maritimeaffairs/policy/blue\\_growth/documents/com\\_2012\\_494\\_en.pdf](http://ec.europa.eu/maritimeaffairs/policy/blue_growth/documents/com_2012_494_en.pdf)



## EU Integrated Maritime Policy and Blue Growth

EU's Integrated Maritime Policy aims to provide a coherent approach to cross-cutting maritime issues in order to achieve the full economic potential of the seas in harmony with the marine environment. It brings together all the sectors that affect the seas and applies an ecosystem approach.

In September 2012, the European Commission adopted a Communication on "Blue Growth - Opportunities for Marine and Maritime Sustainable Growth". It identifies the key sectors for growth and aims to place the blue economy on the agenda of member states, regions, enterprise and civil society. It seeks out opportunities for improving the Union's international competitiveness, resource efficiency, job creation and new sources of growth while safeguarding biodiversity and protecting the marine environment. The blue economy offers new ways to help steer the EU out of the economic crisis. The proposal represents the maritime dimension of the Europe 2020 strategy.

The Commission finds that three new factors open opportunities for blue growth:

- Rapid technological progress makes it possible to work offshore in ever deeper waters.
- Land and fresh water are finite resources but environmental protection is a source of innovation and growth.
- The need to reduce greenhouse gas emissions is a reason to favour seaborne transport.

Five areas have been identified for where targeted actions can especially stimulate future growth and create jobs in the blue economy in the EU:

- Blue energy - renewable energy from the oceans incl. offshore wind energy
- Aquaculture
- Maritime, coastal and cruise tourism
- Extraction of mineral resources from the seabed
- Blue biotechnology – including medical product from the sea

● How can the concept of blue growth move from vision to practice? To which extent do existing frameworks support the blue growth agenda, and what is needed in terms of new outlooks on governance, business and partnerships?

What is needed in order to raise the profile of the blue sector in the Baltic Sea Region?

## EU Strategy for the Baltic Sea Region

Presently, the strongest structure and driver for cooperation in the region is the EU Strategy for the Baltic Sea Region (EUSBSR). EU is a strong actor in the region thanks to its legislative power and its financial resources. But EU directives have to be implemented nationally, and their success depends on the commitments of the various actors within the region – at all levels. Financing of projects presupposes local initiatives. Are we doing enough to take advantage of all opportunities?

The EU Strategy was adopted by the European Council in October 2009. It aims at coordinating actions by the EU, member states, regions, organisations, financing institutions, and NGOs to promote balanced development of the Baltic Sea Region, providing an integrated framework for improving the environmental condition of the sea, transport bottlenecks and energy interconnections as well as facilitating the development of competitive markets across borders and common networks for research and innovation.

The EUSBSR is comprised of the following three focus areas:

- Save the Sea
- Connect the region
- Increase prosperity

The EUSBSR is implemented through an Action Plan<sup>3</sup> which is regularly updated. The strategy includes aspects that are part of both green and blue growth, for example clean shipping. In view of the special emission restrictions for ships in the Baltic Sea (not least the 0,1% level on sulphur dioxide by 2015) the need for innovative fuels and clean shipping models are high on the agenda in the maritime industry. The policy concept of blue growth is however not yet clearly included in the EUSBSR.

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3 <http://www.balticsea-region-strategy.eu/>



## The HELCOM Baltic Sea Action Plan (BSAP)

The goal of the HELCOM Baltic Sea Action Plan is to restore the Baltic Sea marine environment to good ecological status by 2021. The environmental issues addressed are notably eutrophication, biodiversity, hazardous substances and maritime activities.

The Ministers of Environment of the nine coastal countries will meet in the morning of 3 October 2013 in Copenhagen as part of the Danish Presidency of HELCOM, and will join the “Baltic Sea Conference 2013: Blue Growth, Sustainability and Water Industries” in the afternoon. At the ministerial meeting, HELCOM will evaluate the progress made - is the Baltic Sea Action Plan on track or not?<sup>4</sup> They will however also discuss next steps and how to best join efforts and pool resources for the Baltic Common vision.

According to a report<sup>5</sup> published by WWF in 2013, all the countries are currently behind on their commitments, and we are far behind schedule in the implementation of the BSAP.

The BalticSTERN report<sup>6</sup>, commissioned by the Swedish Agency for Marine and Water Management, has made a cost-benefit analysis of the implementation of the HELCOM Action Plan. It finds that the populations bordering the Baltic Sea are willing to pay €3800 million annually for a Baltic Sea that meets the target of the plan. The cost of reaching the target is estimated at €2300 million annually. Thus, benefits exceed costs by €1500 million annually. The report finds that applying allocations between countries according to the country quotas in the HELCOM plan would increase the costs by about €500 million, leading to total annual costs of €2800 million. The BalticSTERN report concludes that there is a need for a holistic and integrated management strategy for the Baltic Sea based on an understanding of the Sea as a complex ecosystem. But how can this payment be transformed into investments in the environment, including blue and green growth?

● What is needed in order to spur progress on the Baltic Sea Action Plan? How does HELCOM play into the EU Strategy for the Baltic Sea Region and for Blue Growth? Are current commitments enough?

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4 [www.helcom.fi/stc/files/Ministerial2013/Documents/Overview\\_of\\_BSAP\\_implementation\\_August2013.pdf](http://www.helcom.fi/stc/files/Ministerial2013/Documents/Overview_of_BSAP_implementation_August2013.pdf)

5 [www.wwf.se/source.php/1532590/WWF\\_BalticSeaActionPlan\\_2013.PDF](http://www.wwf.se/source.php/1532590/WWF_BalticSeaActionPlan_2013.PDF)

6 [www.stockholmresilience.org/download/18.4531be2013cd58e84484e3/Baltic\\_Stern+Main+report\\_0306.pdf](http://www.stockholmresilience.org/download/18.4531be2013cd58e84484e3/Baltic_Stern+Main+report_0306.pdf)

# Environmental Protection Makes Good Business Sense

## The Potential for Blue and Green Technology Development

In August 2013, Boston Consulting Group published, in cooperation with WWF (Sweden), a report<sup>7</sup> which estimates that measures to restore the health of the Baltic Sea could create 550.000 new jobs and give €32 billion in annual value added to the region by 2030. The health of the Baltic Sea has long been viewed mainly as an environmental problem, but these arguments help make the case that it must be viewed as an economic and social concern as well. Failing to restore the health of the sea will not only impair the environment but also the possibility of creating many new jobs.

Boston Consulting Group presents a vision that the Baltic Sea Region develops into a blue and green technology hub for a broad range of products, services and solutions that directly or indirectly give a positive impact to the environment, both on land and at sea. The Baltic Sea Region has the competencies to meet stringent environmental regulations with new and innovative technologies – solutions which can then be exported onto a global market.

With that in mind, restoring the ecological health of the sea should not only be seen in the light of increased restrictions and additional costs for individual businesses, but as opportunities for new markets, partnerships, innovation and technology development.

- The Baltic Sea Region has a tradition of belief in Porter's hypothesis (Strict environmental regulation will increase competitiveness and private profits by forcing companies to innovate). Under which conditions is this true? What can be done to create such conditions?
- What are the opportunities for the Baltic Sea Region to develop into a hub for green and blue technology? How are such shifts in technology best stimulated and facilitated – what are the preferred tools and drivers?

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<sup>7</sup> [http://awsassets.panda.org/downloads/bcg\\_turning\\_adversity\\_into\\_opportunity\\_aug\\_2013.pdf](http://awsassets.panda.org/downloads/bcg_turning_adversity_into_opportunity_aug_2013.pdf)



- What can be done to make more financing available for turning scientific results into practical solutions, and for increasing partnership between research and practice? Are the EU's structural funds to the Baltic Sea Region countries committed to the regional agenda?

## Clusters, and the Need to Improve Them: The Example of the Central Baltic Region Cluster

Recent assessments of the existing business clusters in the region have shown that there is room for improvement. The Turku School of Economics has made an analysis of the maritime cluster in the Central Baltic Region (CBR): Sweden, Estonia, Finland and Latvia<sup>8</sup>.

It concludes that the several maritime clusters in this region are still separated and often compete with each other more than they cooperate. In the future, they should find ways to combine their strengths to increase the competitiveness of the region's maritime sector. The report sees the tightening of environmental regulations as a possible opportunity that can make the countries in the region forerunners in environmental technologies, life-cycle solutions and fuel efficiency. But the maritime clusters in the region have to invest considerably to find and implement new solutions.

Focus in the Central Baltic Region must be on quality, innovation and specialisation in order to meet increasing competition from East Asia. This requires first of all financial and scientific resources and a qualified workforce. Common branding and communication activities could improve the image of the maritime sector and increase awareness of its importance.

Strong maritime clusters exist in North Germany, Denmark and Finland. A common challenge for the clusters is they find it difficult to get financing to develop innovative solutions from the research phase to implementation. Innovations are important for companies that want to be "first movers". Lack of financing is an important barrier to blue growth. It may be one of the reasons why Europe is strong in science but weak in turning scientific results into business activity.

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8 [http://www.centrumbalticum.org/sites/default/files/user\\_uploads/SmartComp%20Research%20Report%201.pdf](http://www.centrumbalticum.org/sites/default/files/user_uploads/SmartComp%20Research%20Report%201.pdf)



For the clusters to grow, become stronger and more innovative, foreign direct investments are needed. The green and blue economies are prioritized by many countries and cities including their investment promotion agencies IPA in the region. Cross-country and cross-region cooperation among clusters and IPA is a factor that merits further exploration.

● Should there be increased promotion of cross-border cluster cooperation?

## Marine Spatial Planning

There is an increasing need to look at co-existence of activities at sea. Maritime spatial planning is one of the crucial policy areas that will be increasingly important in the coming years. How can we manage the territory in a way that will make space for agriculture, fishing and aquaculture, transport and energy production? The European Commission has launched a proposal for a directive on Maritime Spatial Planning and Integrated Coastal management that will improve the compatibility and sustainability of different economic activities and facilitate cross-border planning of transboundary activities such as energy grids, nature protection, maritime transport routes as well as aquaculture. This is also regionally in VASAB (Vision and Strategies around the Baltic Sea) and in HELCOM.

With the EU strategy for the Baltic Sea Region, EUSBSR, we have in this part of Europe favourable conditions for making unique progress in spatial planning. The EU's northern Dimension and the Council of the Baltic Sea States ensures strong cooperation links with Russia and the North-west district of the Russian Federation.

● What are the future scenarios for off-shore activities such as clean shipping and energy generation?

## Two Recent National Initiatives - Is There a Need to Explore Synergies?

A considerable amount of thinking is now being done on how to use the opportunities for blue growth. It is time for new strategic thinking at the political level.

**The Danish Government** has developed new ambitious strategies related to water, environment and maritime affairs<sup>9,10</sup>. The strategies are business oriented and focus on economic growth - green and blue - with a view to create high quality jobs.

The strategies focus on export but with the understanding that export cannot be promoted without taking account of the workings of international value chains and the big role played by services. Success cannot be read out of simple commodity export statistics. Success comes from participation in those sections of the value chains where value-added is particularly high - and not depending on low cost inputs. Old-fashioned state subsidies are absent from the strategies.

Attracting foreign investments in high-tech industries is a key objective. It is therefore part of the strategies to promote Denmark internationally as a business friendly country which belongs at the top of the "Ease of Doing Business Index" and similar indicators. The strategies have a strong commercial orientation. It is important to develop skills in both engineering and in management.

It is worth noting that the strategies take a global view with focus on decisions taken in the IMO and the EU. They do not even mention Baltic Sea Region. What implications does this have in terms of lost opportunities for synergies and regional collaboration?

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9 [www.dma.dk/sitecollectiondocuments/publikationer/denmark%20at%20work%20-%20plan%20for%20growth%20in%20the%20blue%20denmark.pdf](http://www.dma.dk/sitecollectiondocuments/publikationer/denmark%20at%20work%20-%20plan%20for%20growth%20in%20the%20blue%20denmark.pdf)

10 [www.evm.dk/publikationer/2013/12-03-13-summary-plan-for-growth-for-water-bio](http://www.evm.dk/publikationer/2013/12-03-13-summary-plan-for-growth-for-water-bio)

**The Finnish government** is preparing a national maritime strategy<sup>11</sup> for publication at the end of 2013. The Finnish Minister for Transport, Merja Kyllönen, has announced bold strategic decisions to maintain and improve the competitiveness and vitality of Finnish maritime cluster. The minister believes that Finland can face the future with confidence and find a place as a forward-looking and highly valued expert in maritime affairs. The following changes are motivating the work on the new strategy:

1. Stricter environmental requirements in international and EU law
2. Changes in global transport flow due to the shifting of the world economy towards Asia
3. Opening of new shipping routes.

The following steps can be expected to be included in the strategy:

4. Reduction in the regulatory burden for the industry
5. Finland will seek more influence in IMO and EU on decisions affecting the maritime sector
6. The government will seek to create jobs i.a. by attracting more ships under Finnish flag
7. At the national level the strategy will cover steps to ensure reliable winter navigation and ways to make sure that skilled personnel is available for the sector.

Budget allocations to the maritime sector will also be considered, not only for development of infrastructure but also for adaptation to new sulphur emission requirements and retrofitting investments.

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<sup>11</sup> [www.utu.fi/fi/yksikot/tse/yksikot/PEI/BRE/Documents/2013/BRE%204-2013%20web%20.pdf](http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/BRE/Documents/2013/BRE%204-2013%20web%20.pdf)

## About Baltic Development Forum

Baltic Development Forum is an independent think-tank and networking organization with members from large companies, major cities, institutional investors and business associations in the Baltic Sea Region. Baltic Development Forum works with a wide range of partners, including businesses, governments, regional organisations, research and media institutions.

Our network involves more than 7000 decision makers from all over the region and beyond. The mission of Baltic Development Forum is to promote the Baltic Sea Region as an integrated, prosperous and internationally competitive growth region.

Baltic Development Forum is chaired by Hans Skov Christensen, former CEO of Danish Industry. The Baltic Development Forum Honorary and Advisory Boards consist of high-level political dignitaries and prominent business executives representing the entire Baltic Sea Region.



*sustainable growth · innovation · competitiveness*

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