



Position Paper

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EUROCHAMBRES position on the Circular Economy Package

European businesses are increasingly impacted by the growing scarcity of raw materials and natural resources which are the basis for doing business. Thus, EUROCHAMBRES has repeatedly stressed the importance of achieving a fully functioning circular economy in which waste is promoted as a valuable key resource. However, turning our current linear consumption and production behaviours into circular ones will require profound behavioural changes. Consumers need to make well-informed purchasing decisions and producers require better access to secondary raw materials.

Against this background, Chambers welcome the Commission's Circular Economy package, published on 2 December 2015. Especially the proposed revision of the waste legislation is based on more realistic targets than the withdrawn 2014 package. Moreover, the Action Plan contains several vital elements that can bring the Circular Economy project forward. However, some initiatives, like the extension of the scope of the Ecodesign directive or data collection in the context of the Extended Producer Responsibility, also bare the risk of overregulation. For Chambers it is imperative that any new initiatives focus on how to constitute opportunities for increased competitiveness of European businesses, rather than on ever stricter regulations leading to more administrative and financial burden.

1) Revision of waste directives¹

In General, EUROCHAMBRES welcomes the proposed revisions of the six waste-related directives. Although, based on current technological possibilities, the suggested targets still seem ambitious (particularly on packaging waste) they can be considered more realistic than in the withdrawn 2014 package. Bearing in mind the fact that higher recycling rates can also lead to higher energy and resource demand, it is important to optimise, rather than maximise, targets. Co-legislators should, therefore, refrain from increasing the level of ambition and take into account potential interferences with the EU's climate strategy.

Regarding the implementation of current waste standards, there are still significant differences between the Member States. Therefore, it must remain a priority to lead laggard countries towards the levels of the frontrunners and to provide them with special support in the short run (e.g. through simplification of waste acquis). Otherwise, there is a great risk that the gap between countries will widen even further. At the same time, the Commission has to be stricter on law enforcement – something that has not worked well in the past and which was one of the main reasons for the current discrepancy between Member States. In this regard, the proposed early-warning-system is certainly a step in the right direction. It will be crucial that detected

¹ Proposed revisions of the Waste Directive (COM(2015)595), Packaging Waste Directive (COM(2015)596), Landfill Directive (COM(2015)594) as well as of the ELV, (waste) batteries and accumulators and WEEE Directive (COM(2015)593)

shortcomings will not only be highlighted, but countries advised in how to move in the right direction. Once these supportive measures have shown effect, the legal requirements in the area of waste management should be uniform throughout the EU.

Furthermore, the European Commission should emphasize on the importance of considering the situation in small Member States in particular. For Baltic countries, Malta or Croatia it is far more difficult to set up secondary material markets or recycling systems than for larger Member States.

EUROCHAMBRES also welcomes the Commission's intention to increase transparency with regard to Extended Producer Responsibility (EPR) schemes and to create a level playing field for all manufacturers within the EU. However, the EPR rules, as defined in the draft legislation, bear the risk of substantial administrative and financial burden. In particular, the plans to introduce a reporting procedure for all products that are placed on the European market (Article 8a) would result in additional reporting obligations which could hardly be handled by SMEs. Furthermore, it is still doubtful if, in practice, producers from third countries would adhere to the same standards as companies based in the EU. As European standards are difficult to enforce outside of the Union, EU businesses would suffer additional competitive disadvantages.

Regarding the proposed revision of the landfill directive, EUROCHAMBRES welcomes the objective to gradually reduce the amount of landfilled municipal waste, as landfilled resources are lost resources.

2) Action Plan

Besides the legislative part of the package, the action plan² sets out several initiatives which will promote the transition to a Circular Economy. EUROCHAMBRES assesses the respective instruments as follows:

Ecodesign

In order to promote a better product design, the Commission plans to emphasise circular economy aspects in future product design requirements under the Ecodesign Directive. In this context, issues such as reparability, durability, upgradability, recyclability, or the identification of certain materials or substances will be systematically examined.

Chambers recognise the need for reasonable efficiency standards, as they can stimulate innovation. However, this should not lead to overregulation and excessive administrative burden. It will be crucial to find a balance between these standards and entrepreneurial freedom that allows for individual product design and high product quality. Prescriptive design requirements must neither limit the innovative capacity of Europe's businesses, nor increase production costs in a way rendering reasonable profits impossible. Moreover, to ensure planning certainty, the introduction of design standards must allow for a sufficient preparatory period. Especially SMEs cannot change the design of their products overnight.

By-products and end-of-waste criteria

The Commission proposes a harmonisation and simplification of the legal frame for by-products. Moreover, it plans to modify the legislation to enable recycled materials to be reclassified as non-waste whenever they meet a set of harmonised general conditions. This amendment is meant to simplify the legislative framework for operators in the recycling business and ensure a level-playing field.

For the success of the circular economy package it will be important to put by-products to the best possible use. Recognising co-generated products as 'by-products' will make it less costly and bureaucratic to trade secondary goods (also across borders) and promote industrial symbioses. The same is true for the end-of-waste criteria. However, so far the EU's end-of-waste approach has led to very modest results, making it still difficult to move secondary raw materials between countries or even regions. In general, EUROCHAMBRES supports the idea of creating a "Schengen Area" for waste in the long term. Thus, we call on the Commission to quickly come forward with improvements to the rules of the end-of-waste criteria.

² COM(2015)614

BREFs

The Commission will further promote best practices in a range of industrial sectors through the 'best available technique reference documents' (BREFs) that Member States have to reflect when issuing permit requirements for industrial installations. Essentially, guidance on best waste management and resource efficiency practices will be included in the documents.

EUROCHAMBRES basically supports initiatives intended to harmonise permit criteria for industrial installations in Europe. However, it must be avoided that permits are made subject to intangible criteria like waste management and resource efficiency. Apart from that, the procedure of elaborating BAT documents is already very complex. Additional requirements must not further complicate and delay procedures. In any case, we call on the Commission to maintain close consultative contact with stakeholders, when drafting BREFs.

New Energy Labelling

In July 2015, the Commission proposed a new labelling system for the energy performance of household appliances and other energy-related products. The proposed system will allow for the displaying of information on the environmental performance, including durability, of energy-related products (like water using devices, building insulation products, windows etc.).

Chambers recognise the consumers' right to be informed about the efficiency standards and the expected lifespan of certain products, if used appropriately. The durability of 'Made in EU' products is in many cases longer than of goods imported from third countries, which can constitute a competitive advantage. On the other hand, adding too much information risks diluting the effectiveness of the label and confusing the consumer. Therefore, the Commission should consider alternative ways to provide access to information beyond energy efficiency (e.g. through QR) codes.

Green Public Procurement

Already today, there are criteria for Green Public Procurement (GPP) at EU level that are then used by public authorities on a voluntary basis. The Commission now plans to emphasise circular economy aspects (durability/repairability) in new or revised criteria, supporting higher uptake of GPP (e.g. through training schemes), and leading by example in its own procurement and in EU funding.

EUROCHAMBRES stresses that the individual purchaser or public authority should make wise and long-term based purchases and not only focus on the lowest price in the short term. Public procurement can thus improve sustainability practices. Moreover, Chambers acknowledge that there is a need for exchanges of good practices on how to integrate sustainability concerns in public contracting. However, it has to be taken into account that integrating general sustainability policy targets in mandatory procurement rules could lead to a narrowing of the market as well as distortion of competition, which both run counter to the creation of an EU-wide internal procurement market.

The bidding process is already complex and costly for businesses. According to Eurostat data³, almost 9 out of 10 SMEs do not regularly participate in bids for public procurement, mainly due to this high complexity. Consequently, Chambers support guidelines or soft law measures on sustainability criteria but strictly oppose any compulsory rules in this context. For the future, one of the most effective ways to increase the involvement of SMEs in GPP would be to simplify procedures for acquiring the EU Ecolabel.

Secondary Raw Material markets

Secondary raw materials still account for only a small proportion of production materials used in the EU. There are important barriers to their take-up in the economy, for example due to the uncertainty of their composition. Thus, the Commission will launch work to develop quality standards for secondary raw materials where they are needed.

Standards are an important tool to build trust among European manufacturers. EUROCHAMBRES, therefore, welcomes the Commission's announcement. However, it is also important to reduce

³ Flash Eurobarometer 426

administrative burden related to reuse of (and cross-border trade with) secondary raw materials. Several regulatory mechanisms still hamper the cross-border movement of municipal waste or residues of construction products. Lowering regulatory barriers to trade would deliver significant economies of scale and support the remanufacturing, repair and recycling markets. Hence, this will guarantee the supply of secondary materials for the European circular economy and strengthen the confidence of businesses to invest in circular-related activities.

It will be crucial to find a balance between continuously tightening hygiene-, safety- and quality requirements on the one hand (which recycled raw materials often cannot fulfil) and the effort to promote the circular economy. Against this background, recycling bans stemming from REACH-legislation should be reconsidered.

Funding and support for SMEs

The European Commission plans to scale up support research and innovation in order to provide the right framework conditions for achieving a fully functioning Circular Economy. € 650 million are available through the Horizon 2020 initiative “Industry 2020 in the Circular Economy”, a further € 5.5 billion are foreseen to be dedicated to waste management under the cohesion policy and the European Fund for Strategic Investments (EFSI) can be used to fund investments in improved technologies, innovative production processes and the required infrastructure.

The increased funding opportunities for research and innovation will be a crucial building block for achieving the ambitious waste targets. However, one of the greatest challenges in the coming years will be how we involve SMEs in the circular economy and how we build the circular economy around SMEs. SMEs often lack time in order to gather data, plan specific projects and implement resource efficiency measures. That is one of the main obstacle impeding green actions. Thus, SMEs need concrete guidance on day-to-day operations and the practical implementation. They need on-location support, e.g. through temporary staff, concretely preparing, planning and implementing necessary improvements. This support should be largely cost-neutral, practice-oriented and confidential. To really drives change on the ground new capacity programmes will be required. In this regard, the very successful Intelligent Energy Europe Programme could be a good template for establishing capacity-building programmes on resource efficiency and waste management in the future.

Awareness Raising

EUROCHAMBRES is convinced that one of the determining factors for the successful transition to circular economy is raising awareness among consumers, which are key to driving sustainable production. Creating markets for green products works best if consumers are fully aware about the impacts of their consumption habits. Thus, Chambers support campaigns promoting sustainable lifestyles towards citizens and communities.

EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 93% of which are SMEs – through members in 43 countries and a European network of 1700 regional and local Chambers.

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