



Position Paper

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EUROCHAMBRES Recommendations for the Circular Economy

EUROCHAMBRES are convinced that the Circular Economy will play a major role in the future debate about the competitiveness and industrial strength of Europe. The SME community must be deeply embedded in this discussion, since it encompasses the entire value chain. Given the right framework conditions and incentives the Circular Economy can represent a big opportunity for Europe's companies. Increasing the re-use, recycling, repair and transformation of products could reduce EU's resource dependence, boost innovation, help to create new business models, relaunch jobs, growth and competitiveness. Moreover, the Circular Economy could be part of the remedy to both resource depletion and greenhouse gas emissions.¹ Hence, it could greatly contribute to global sustainability, creating benefits at economic, social and environmental level.

It is the role of policy makers to create the right framework conditions to minimise risk for European businesses and ensure that they can fully reap the potential benefits. In the point of view of EUROCHAMBRES, the Circular Economy is at the very intersection of market driven developments such as business model innovation and digitalisation and rather policy driven areas, such as climate change adaptation and mitigation and waste management. The entire concept therefore has to be assessed from different angles. The concept of Circular Economy should comprise a comprehensive and coherent set of rules applied uniformly across all Member States and adequate non-legislative incentives, imbedded in existing legal and policy instruments. It must respect the "Think Small First" principle in order to prevent excessive additional administrative and cost burden for SMEs.

The Chambers aim to trigger opportunities for sustainable growth and to safeguard Europe's industrial competitiveness. Based on our [Circular Economy Report](#) and an intense debate with different stakeholders and within our constituency, EUROCHAMBRES therefore recommend the following in order to ensure a successful transition to a fully Circular Economy:

Products, raw materials & waste

1. **Tear down barriers:** Secondary raw materials still only account for a small portion of production materials in the EU. Important barriers to their uptake persist. The Commission shall continue to work on quality standards for secondary raw materials in order to enable their large scale usage. In addition, it is important

¹ In recent decades economic growth in Europe could be effectively decoupled from greenhouse gas emissions. Nonetheless, during the same period global resource consumption increased and is estimated to double between 2015 and 2050 (RESOURCE EFFICIENCY: POTENTIAL AND ECONOMIC IMPLICATIONS, International Resource Panel Report: http://www.resourcepanel.org/sites/default/files/documents/document/media/resource_efficiency_report_march_2017_web_res.pdf)

to reduce barriers related to the use and cross-border trade, such as different end-of-waste criteria across Member States. Lowering these barriers will give a decisive stimulus to remanufacturing, refurbish and recycle markets. This will in turn increase the supply of secondary resources for the Circular Economy and thus increase trust and confidence of European businesses.

2. **Eliminate legal incoherence:** Regulatory barriers within chemical, product and waste but also health and safety legislation must be solved in order to allow for a smoother circulation of recycled materials and industrial by-products. Chambers are well aware that in legislation motivated by safety, health and consumer protection considerations, simple removal of a barrier may lead to unintended results. It is essential to find the right balance between tightening safety, hygiene and quality requirements on the one hand and the promotion of the Circular Economy objectives on the other, in a proportionate and adequate manner.
3. **Create a full-fledged secondary raw material market:** Both the creation of a full-fledged secondary raw materials market as well as the removal of regulatory inconsistencies between chemical, product and waste legislation have to be the mainstay of a future Circular Economy Action Plan 2.0.
4. **Balance eco-design and resource efficiency measures:** EUROCHAMBRES acknowledge the role of Ecodesign in the transition towards the Circular Economy and the current work on criteria for specific product categories. The current 2016-2019 Ecodesign Working Plan underlines the importance of resource efficiency for future revisions. In this regard, from our point of view it is essential that design requirements neither restrict innovative capacity of businesses nor excessively increase their production costs. It is crucial to find a balance between standards and entrepreneurial freedom that allows for individual product design and high product quality. 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. Therefore, prior to the elaboration of such requirements their necessity to achieve the desired result has to be assessed. In cases where only a few companies are concerned, systems of self-regulation have proven their benefit.
5. **Avoid an ineffective extension of EPR schemes:** Extended Producer Responsibility (EPR) schemes can represent a way forward to improve production practices for some goods and might be a valuable tool to 'reap' material streams that are currently incinerated or landfilled. Nevertheless, attention must be drawn to a more sector-specific, or even case-specific evaluation, in order to avoid becoming a further tax burden for businesses and therefore hindering their innovation potential. EPR was initially pushed for by the industry, however, ambiguous incentives in legislation, as well as the non-harmonised implementation in member states, sometimes even disregarding the polluter-pays-principle, leave an unclear image of the actual benefits of such a scheme. Extending EPR schemes to all types of products without the right environment for absorption (infrastructure, market demand etc) would be highly ineffective
6. **Ensure access to key raw materials:** Compliance with the Paris Agreement will sharply increase the demand for certain raw materials, some of which considered critical. Therefore, there is a need for concerted action within the EU to ensure that the smart carbon utilisation of our societies is not hampered by the unavailability of some strategic key resources. The Circular Economy can play an important role in keeping high quality material within European value chains. Nonetheless in order to ensure industrial competitiveness, the EU must similarly prioritise the sustainable supply of raw materials from third countries. Additional measures such as the expansion of the principle of traceability to all metals, as suggested by the London Metal Exchange, may be considered after careful assessment of its impacts on strategic supply chains.

Finance

1. **Ensure a business- and innovation-friendly approach:** The development of the sustainable finance taxonomy tends to be extremely complex and detailed. It might cause heavy administrative burden for companies and even hamper investments in energy- and carbon-intensive sectors. Especially in the transition phase some technological developments may still have to run on fossil carbon feedstock for process optimisation and can only switch to alternatives when the logistics for a stable supply of biobased or recycled feedstock are solved. To speed up the transition, we encourage the European Institutions

and the Technical Expert Group to take this complexity, in particular in the transition phase, into account when establishing circularity criteria in the taxonomy.

2. **Keep it simple:** We reckon that circularity aspects may play a role in the elaboration of green labels for financial products. However, if green labels are developed, clarity and simplicity will be key. Overall practicability and value added in terms of information and transparency have to be weighed against the additional administrative workload for the economic actors, especially debtors.
3. **Avoid double counting:** Environmental risk that banks already factor into credit, operational and market risk assessment has to be taken into account in the development of additional assessment tools for environmental considerations.
4. **Make full use of innovative financial tools in public spending:** EUROCHAMBRES welcome the proposed streamlining of overlapping funds in the post 2020 Multiannual Financial Framework. To increase the efficiency of EU funds and given the transversal nature of the transition to a circular economy, innovative financial tools such as the blending with private sector investment should be further facilitated and promoted.

Trade & International Commitments

1. **Think global:** With a focus on ensuring a global level playing field for European companies, EUROCHAMBRES encourage the Commission to support the circular agenda in the relevant international fora, such as the UN and its corresponding agencies and organisations, but equally in the OECD, WTO and other institutions.
2. **Play by the rules:** A rules-based international trade is paramount for EU business. Circularity considerations must not act as potential non-tariff trade barriers. The regulatory cooperation committees foreseen in comprehensive FTAs are an adequate way to incorporate circularity aspects and to develop common standards for circular goods and services. By identifying potential impediments to their cross-border movement and working closely together on common solutions, regulatory barriers for circular goods and services can be effectively reduced.
3. **Promote “Made in Europe”:** EUROCHAMBRES encourage the EU Commission and its Member States to promote and support effective waste collection, separation and processing systems outside the EU. This will also stimulate the demand for innovative circular solutions “made in Europe”.

Innovation & Skills

1. **Equip the labour force with the necessary skills:** Education and training programmes are important levers for making information and knowledge on circular economy models and processes widely available, and understandable. New skills demands due to technological developments and arising business models based on circular economy dynamics should be adequately reflected in the modernisation of both general education systems and vocational education and training (VET) curricula, where necessary. We are convinced that guidance documents developed in close coordination with business and business support organisations, such as the Chambers of Commerce, could positively feed into this process.
2. **Apply a broad definition of innovation:** Several EU funds support innovation in SMEs and provide assistance when it comes to the Circular Economy. However, as sketched in an analysis carried out by the CEPS² the notion of “innovation” does not always correspond to the changes brought about by circular business models. EUROCHAMBRES therefore suggest the application of a broad definition of innovation in order to provide for enough flexibility to also capture and support the objectives of the Circular Economy. In addition, we welcome the improved integration and coordination of advisory services and technical assistance tools in the European Investment Advisory Hub (which have until recently been scattered in different programmes, namely JASPERS, ELENA, InnovFin Advisory, EPEC, Fi-Compass).

² <https://www.ceps.eu/system/files/RoleBusinessCircularEconomyTFR.pdf>

Digitalisation

1. **Use existing data:** Databases on a number of relevant substances already exist (e.g. ECHA, pesticides, food safety-related). Before introducing new reporting requirements for companies, which would be especially burdensome for SMEs, we recommend to make better use of the existing data stock and to integrate and connect them to a larger extent. In doing so, duplication in reporting and therefore additional administrative burden can be avoided.
2. **Use existing networks:** The presence and importance of Networks, such as the Enterprise Europe Network (EEN) and Digital Innovation Hubs (DIH), should be further emphasised and exploited, connecting them to the regional and territorial governance level and functions fulfilled by Chambers of Commerce together with local actors and authorities involved in the economic transition.
3. **Build and ensure trust:** Digitalisation in circular innovations can be used to connect partners, devices and customers in specific segments of the value chain. This could greatly enable the efficient use of data for designing and implementing circular solutions. When it comes to sharing information along the supply chain, trust needs to be nurtured on both seller and buyer side. Data protection and conditions for liability have to be clear and transparent from the beginning. This applies to B2B relations as well as B2C relations at the point of sale.

Stakeholders, Consumers & Market

1. **Foster a clear understanding of circularity:** A Commission study from 2014³ concluded that a majority of consumers needs more information on the environmental impact of a certain good. The Commission and national governments, but also business organisations, shall engage in communication efforts to make circularity relevant to all kinds of stakeholders of society. Political stakeholders, producers, companies in the supply chain, consumers, research and education institutions among others have to have a clear understanding of the concept of value retention and of the costs, risks, benefits and opportunities related to it.
2. **Continue voluntary environmental footprints:** The efforts made to experiment and implement harmonised multi-criteria product environmental footprint information should be continued on a voluntary basis. It is paramount to include businesses, especially SMEs in the development process, otherwise we risk a top-down, costly instrument with little or no use and usability for the major part of the economy.
3. **Simplify bidding:** EUROCHAMBRES support the Commission's voluntary guidelines on Circular Public Procurement and the support tools for different kinds of product categories. However, the majority of SMEs does not regularly participate in public tenders. Obligatory sustainability criteria bear a risk to narrow down market access and to further reduce SME participation rates. This should be taken into consideration.
4. **Strengthen a coordinated multi-stakeholder approach:** To better understand the need of local communities and businesses, EU institutions should adopt a more coordinated and multi-stakeholder approach and actively accompany the transition towards new sustainable trading models and services. Chambers' role as companies' fora should strongly be communicated and employed in this consultation process with stakeholders aimed at reshaping a favourable environment for businesses, strengthening public-private partnerships (PPPs), as well as ensuring the respect of standards in a scenario of fast changes and newly emerged challenges. By doing so, the full potential of the European Cohesion Policy, which in addition to funds offers a framework for integrated regional development and focusses on the strengths of each region, can be exploited.

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 44 countries and a European network of 1700 regional and local Chambers.

**Further information: Mr. Clemens Rosenmayr, Tel. +32 2 282 08 90, rosenmayr@eurochambres.eu
 Press contact: Mrs. Karen Albuquerque, Tel. +32 2 282 08 62, albuquerque@eurochambres.eu**

³ https://ec.europa.eu/info/publications/environmental-claims-non-food-products_en