



Position Paper

7 May 2020



EUROCHAMBRES' reaction to the new Circular Economy Action Plan

EUROCHAMBRES, the Association of European Chambers of Commerce and Industry welcome the new Circular Economy Action Plan as a roadmap of measures to achieve the systemic change that lies ahead of the entire economy. The aim to increase the competitiveness of European companies by assisting them in their transition to more sustainable forms of production and consumption, is very positive. Nonetheless, from the point of view of the business community the plan includes a number of elements that have to be analysed and assessed in further detail. Chambers are ready to actively contribute to the debates, legal process and subsequent implementation of the measures by assisting companies and authorities.

On 11 March 2020, the European Commission published the new Circular Economy Action Plan, comprised of 35 legislative and non-legislative actions in the following policy areas:

- A Sustainable Product Policy Framework
- Key Product Value Chains
- Less Waste, more Value
- Making the Circular Economy work for People, Regions and Cities
- Crosscutting Actions
- Leading Efforts at Global Level

Considering the Circular Economy as a core priority, EUROCHAMBRES have dealt with the concept in more detail since a number of years, including the [Circular Economy Report](#), [policy recommendations](#) and more recently the publication [“Chambers for a Circular Economy”](#). EUROCHAMBRES therefore have a number of observations and recommendations, equally taking into account the actions completed under the 2015 Circular Economy Action Plan and laid out in the 2019 Implementation Report.

We also underline the fact that the Action Plan was adopted before the negative effect of the Corona pandemic on the European economy became evident. Therefore, the different impacts on member states and sectors have to be taken into account for each specific measure and we will actively contribute to the discussion. EUROCHAMBRES' assessment of the Circular Economy and some of the actions in the context of the pandemic can be found in the Annex.

1. A Sustainable Product Policy Framework

1.1. Designing sustainable products

Chambers of Commerce and Industry agree that elements such as resource use, recyclability and repairability are determined to a great extent in a product's design phase. We therefore acknowledge the need to incorporate more resource efficiency considerations into the upcoming Ecodesign Work Plan.

The focus must be on cost-efficient reduction of resource use upstream and decreased waste generation downstream. 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 need assistance in changing the design of their products. Prior to the elaboration of such requirements their necessity to achieve the desired result has to be assessed, taking into consideration systems of self-regulation that have proven their benefit in some areas.

When it comes to the extension of Eco-design rules to further sectors, it must under all circumstances be ensured that already existing methodologies, such as under the EU Ecolabel as well as Product and Organisational Environmental Footprint are duly taken into account. In addition, legislators also have to keep in mind the availability of input materials and intermediary products on the market including global supply chains. These cannot be changed overnight, especially not for SMEs. Mandatory environmental and social obligations along international supply chains may be very difficult to enforce and may result in excessive administrative burden for European companies, e.g. due to complex and expensive certification procedures. Chambers stand ready to support efforts to identify simplified procedures for SMEs to fulfil such obligations without excessive additional burden.

A European Dataspace for Smart Circular Applications can indeed help to remedy some of the previously mentioned issues. In order to be able to do so, however, it has to be centred on data that is already collected and monitored in existing systems (e.g. ECHA, Eurostat's monitoring framework for a Circular Economy). In addition, where adequate, it must draw information from existing networks, such as the EEN and EREK. In this regard, EUROCHAMBRES welcome the creation of dedicated Sustainability Advisors and other sustainability services within the EEN as announced in the [SME Strategy](#) published on 10 March.

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.

1.2. Empowering consumers and public buyers

The Chambers agree with the European Commission that consumers are a key element of a functioning circular economy. A Commission [study from 2014](#) 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.

We also agree that consumers, in order to make their decision, need trustworthy information at the point of sale. This information must be tailored to their needs, i.e. it must not be excessively complex but at the same time still provide essential elements for an informed choice. The lessons drawn from energy labelling and the EU Ecolabel have to be taken into consideration when developing an additional label. However, the Commission should first and foremost aim to support and strengthen existing national labels in the member states and provide coordination and assistance in aligning them. Both for businesses and consumers, labels

across the Union must be comparable in terms of requirements and assessment. Chambers can be instrumental in increasing the acceptance and use of such labels and in assisting SMEs in acquiring them. Nonetheless, how they are acquired, be it via national certification bodies or via PEF or OEF procedures, should be left at the discretion of each business.

When it comes to environmental claims, the 2016 "[Compliance Criteria on Environmental Claims - Multi-stakeholder advice to support the implementation/application of the Unfair Commercial Practices Directive](#)" provides guidelines on how to deal with them in the framework of existing legislation. In this context, it is also of interest, which sectors, if any specific at all, the Commission has in mind. It would be desirable to provide stakeholders with an updated quantitative assessment of cases across the EU. On the one hand, unjustified environmental claims can represent a market distortion, on the other it must be avoided to put entire sectors under general suspicion. In general, authorities should opt for an incentivising approach and promote best-in-class examples. The holding of eco-labels/certifications can be a competitive advantage for products and companies. In many cases compliance with certified standards is a requirement for companies to have access, as subcontractors, to long supply chains as well as to tenders and contracts. In the absence of those, SMEs risk being excluded from the market or losing contractual leverage. Given the above, EUROCHAMBRES do not see the need to oblige businesses to undergo PEF or OEF procedures in order to substantiate their green claims.

Before considering the implementation of a "right to repair" for electronics, it is crucial to consider the liability aspects and the effects on warranty periods and procedures that it implies. Given global supply chains, the potentially adverse effect of such measures on the competitiveness of European companies must be factored in. In addition, the Commission should take into account national considerations of the issue, such as the [decision of the Petition Committee of the German Bundestag](#) opposing a right to repair for certain electronic products in late 2018. The decision was partly based on a [2016 study by the German Umweltbundesamt](#), finding no clear evidence for planned obsolescence practices. Furthermore, the Eco-design implementing decisions adopted in late 2019 effectively introduce a right to repair for a number of household appliances as of 2021. Chambers strongly prefer this approach, namely elaborating these provisions in close coordination with stakeholders from civil society and industries directly concerned.

Last but not least, 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. In our opinion, mandatory green public procurement criteria would counteract the call for SME-friendly procurement as formulated in the SME Strategy. To ensure both SME-friendly and "greener" public procurement it is especially important to strengthen training and capacity building of local and regional administration. In addition, the capacities of SMEs themselves to participate in public tenders must be enhanced. Some Chambers of Commerce already play a proactive role in this regard by offering training and capacity building opportunities.

1.3. Circularity in production processes

Integrating circularity aspects in the upcoming Best Available Techniques reference documents will certainly help to promote resource efficiency in industrial processes. It is important to thoroughly assess and find the optimal recycling rates for each product over its entire life cycle to avoid a disproportionate increase in energy use and thus increased emissions. In order to avoid such a trade-off a careful balance has to be struck.

Chambers will also closely monitor and contribute to efforts to facilitate industrial symbiosis by developing an industry-led certification and monitoring system. Where possible it should be based on already existing reporting and monitoring requirements and the added value of additional requirements must be made clear

from the start. In addition, harmonised definitions of central elements such as recyclate and recyclability of packaging material are still missing.

2. Key Product Value Chains

EUROCHAMBRES welcome the approach chosen by the Commission to start focussing on some of the most energy and resource intensive sector. The use of recycled material, in compliance with safety and health regulation and standards must be encouraged. Nonetheless, we would like to emphasise the importance of keeping the entrepreneurial structure in each of these sectors in mind. E.g. the construction sector includes a high share of micro-enterprises (i.e. less than 10 employees). This is a crucial element for the design of targeted measures.

Another important factor to consider is the short and medium term availability of resources, as long as barriers to the uptake of secondary raw materials and circular goods persist. It has to be thoroughly analysed whether this is the case because the recovery and recycling infrastructure in Europe is not able to provide the quantities needed at the adequate quality and cost or whether the market is not able to optimise the circulation of recycled material. This is especially the case for devices that are essential for the transition to a more sustainable economy, e.g. smart meters or production parts needed for renewable energy generation. The complexities of enforcing new requirements along often international supply chains and the associated cost due to e.g. certification processes must be taken into account as well. In addition, in relation to recycled content, the entire life cycle has to be considered in order to avoid trade-offs due to a potential increase in energy input.

In general, it will be essential to resolve existing target conflicts, e.g. in the area of construction (REACH, CLP, construction products regulation, waste legislation).

2.1. Packaging

As for plastic packaging material, any restrictions must be aligned with safety and hygiene standards and must take into account other factors, such as existing supply chains and the geographical and weather conditions in the markets they are primarily destined for. Packaging material protects goods, whose production results in a higher environmental footprint, and is in most cases indispensable. The focus must therefore be on returning the packaging material back into the value creation cycle. For biodegradable plastics, given that they are at present only degradable under industrial conditions it will be important to tackle inadequate disposal by consumers. It is of the utmost importance to avoid the pollution of conventional plastic waste streams that are intended for recycling.

2.2. Textiles

For textiles, the Commission intends to propose a comprehensive EU strategy aimed at strengthening industrial competitiveness and innovation in the sector, expanding the EU market for sustainable and recyclable textiles, including the market for reusing textiles, and dealing with fast fashion and promoting new business models. One step should be the strengthening and further promotion of the voluntary EU Ecolabel for textiles. Given the complexity and global nature of the textile value chains, the measures should not result in bureaucratic and regulatory obstacles for the European textile industry that could lead to further competitive disadvantages.

3. Less Waste, more Value

In general, EUROCHAMBRES welcome the Commission's efforts to enhance the implementation of already existing waste legislation. Promoting high-level exchanges and strengthening cooperation between member states, regions and cities is a good approach to improve implementation and Chambers of Commerce stand ready to actively contribute to these initiatives.

Chambers also support the Commission's effort to more effectively implement Extended Producer Responsibility (EPR) schemes. Attention must be drawn to a more sector-specific, or even case-specific evaluation, in order to avoid becoming a further levy burden for businesses and therefore hindering their innovation potential, while not resulting in the desired environmental benefit at the same time. Extending EPR schemes to more types of products without the right environment for absorption (infrastructure, market demand etc) however would be highly ineffective.

When it comes to waste collection and separation systems, EUROCHAMBRES assess the proposal to harmonise systems across the EU very critically. Is the objective to harmonise the output, i.e. appropriately collected and separated waste streams, or to harmonise the methodology? In our point of view, the aim must be to reach the same quantitative and qualitative level of collected waste and not so much which methodology a member state chooses to achieve it. There is no reason to scrap historically grown and functioning systems. Chambers across Europe are eager to contribute to an assessment of separate waste collection schemes across the EU, similar to the 2015 study on separate collection schemes in EU capitals [https://ec.europa.eu/environment/waste/studies/pdf/Separate%20collection_Final%20Report.pdf].

Where appropriate and duly taking into account the waste hierarchy, we would also like to underline the importance of energy recovery from waste materials in order to replace fossil fuel power plants and fossil fuels in industrial processes. This readily available technology remains one of the tools at hand to decrease greenhouse gas emissions.

3.1. Creating a well-functioning EU market for secondary raw materials

The creation of a fully functioning market for secondary raw materials must be one of the top priorities. In this regard, the removal of legislative barriers to trade in waste and recycled materials is essential. This is why EUROCHAMBRES very much welcome the Commission's commitment to assess the need for harmonised end-of-waste criteria and/or mutual recognition. This is also one of the key results of the consultation on the Interface between product, chemical and waste legislation in 2018. Chambers therefore urge the Commission to come forward with a proposal as soon as possible.

EUROCHAMBRES would also like to underline the importance of standardisation in this regard and invite the Commission to share its assessment of ongoing work at national, European and international level with relevant stakeholders. According the 2019 Circular Economy Action Plan Implementation Report, the European Standardisation Organisations were expected to come forward with a set of horizontal criteria to measure durability, repairability, recycled content etc of products by the end of Q1 2020. Subsequently they have to be promoted to ensure widespread use and acceptance, including advisory and assistance for SMEs. Chambers are willing to cooperate with European and national authorities and standardisation bodies. The definition of common European standards for secondary raw materials will encourage the development of a proper market, allowing an optimal allocation of these materials.

Last but not least, the Chambers of Commerce are also very open to suggestions on a market observatory on secondary raw materials, as it could be useful in mapping potential bottlenecks, necessary infrastructure improvements and the like. We stand ready to support the Commission's efforts in this regard. In fact, a number of European Chambers already operate material exchange platforms. Their know-how and expertise can feed into the set-up of the market observatory. Please find more information on these Chamber initiatives in our publication "Chambers for a circular economy".

4. Making Circularity work for People, Regions and Cities

The push to update the Skills Agenda as well as to strive for sufficient funding for all regions to benefit from the sustainable transition is very well received by Chambers. 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. The role of Chambers of Commerce and Industry is crucial in adapting these efforts to the corresponding national systems and in assisting businesses in planning and monitoring their needs.

5. Crosscutting Actions

Sufficient financial support for SMEs, especially in “traditional” sectors, will be a crucial factor for a successful transition to a fully circular economy. EUROCHAMBRES therefore appreciate the Commission’s commitment within the current funding framework and InvestEU as of 2021.

Chambers also acknowledge the need for refined non-financial information for the mobilisation of private finance. However, a balance must be struck between this need for data and the additional administrative burden for companies. With regards to SMEs, we stand ready to contribute to the development of a simplified framework.

Fiscal measures, such as VAT differentiation, can be a tool to incentivise circular economic activities, as long as they don’t lead to more fragmentation of the Single Market. EUROCHAMBRES suggest a collection of best practices across the EU member states and internationally and subsequent guidelines by the Commission as a way forward. It must be ensured that such fiscal measures remain targeted and do not undermine the functioning of the Single Market.

Encouraging the incorporation of sustainability (including circular) elements into business strategies and corporate governance is positive, Chambers however remain opposed to any obligation in this regard. Given an enabling legislative framework, the market will reward businesses with ambitious environmental and social strategies. Several European Chambers embarked on the endeavour to assist SMEs in their sustainable corporate governance efforts.

6. Leading efforts at global level

With a focus on ensuring a global level playing field for European companies, EUROCHAMBRES welcome the proposal so establish a Global Circular Economy Alliance. We 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. Chambers also support enhanced outreach activities to promote circular solutions “made in Europe”.

As for Free Trade Agreements, 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 included 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.

ANNEX – EUROCHAMBRES’ remarks and priorities in light of the COVID-19 crisis

Following the COVID-19 emergency that we are experiencing globally, it would be important to also focus on some aspects that characterise the paradigm of the circular economy and use them as leverage for the crisis response and recovery phase.

The digitalisation of businesses is certainly the first of these aspects: promoting the presence of companies on the web, the knowledge and use of cloud tools, online trading platforms, social channels, etc., gives them the opportunity to fully immerse themselves into the contemporary world, to be flexible and dynamic and remain operational even in unprecedented emergency situations.

Other interesting aspects are those related to short supply chains, to be able to deal more easily with supply problems and technological innovation. This approach would keep open the possibility of reconverting, even in a short time, production processes on items whose production capacity had been reduced or even reduced to zero.

The Chambers of Commerce can play an important role in driving and promoting both these aspects.

These few elements already give an idea of the "resilience" that an advanced model of circular economy could offer to an economic-productive context at individual member state and EU level.

It would be a mistake to think that pursuing a new model of development, based on clean technologies and a circular approach, is secondary to the health crisis and the consequent economic crisis. Indeed, we must not lose direction because of the current emergency situation. The model of circular economy is based precisely on the need to face three crises simultaneously: economic, environmental and social. This is the momentum to leverage the elements of this model (digitalisation, network, etc..) which, as a priority, could be an integral part of the response to the critical issues that this health emergency has brought to the fore.

It is therefore critical that our response to the economic crisis is geared towards providing companies with the best possible support to achieve the necessary recovery, as well as towards measures to help businesses innovate and invest in climate and environmental protection.

The following elements of the Circular Economy Action Plan should be prioritised in order to contribute to a swift economic recovery after the Corona pandemic:

| Chapter | Action | Assessment |
|--|---|--|
| A sustainable product policy framework | enable re-manufacturing and high-quality recycling | Remanufacturing can boost branches of existing businesses and at the same time provide the business case for newly created companies. High-quality recycling, i.e. providing recycled material at an adequate quality for production processes, contributes to the creation of a functioning market for secondary raw materials. |
| | incentivising innovative business models, e.g. product as a service | For some companies hit by the crisis, business model innovation will be the way forward. At the same time, they can contribute to the EU environment and climate goals. Business model innovation must therefore be supported. |
| Key product value chains | improving the collection and treatment of waste electrical and electronic equipment including by exploring options for an EU-wide | Incentivising the take back of old electronic devices can be a boost for SMEs in the repair sector. Questions of liability and warranty must be clarified from the start. Also, there |

| | | |
|---------------------------------|--|---|
| | take back scheme to return or sell back old mobile phones, tablets and chargers | should not be an obligation to take back old devices. |
| Less waste, more value | harmonisation of end of waste-criteria (or mutual recognition) and intensification of standardisation efforts in order to boost secondary raw materials market | Harmonised end-of-waste criteria as well as clear definitions and standards are essential prerequisites for a fully functioning waste and secondary raw materials market. This can contribute to the economic recovery. |
| Leading efforts at global level | increase efforts to boost export of sustainable solutions “Made in Europe” worldwide | Promoting European clean tech exports is a double win, both for the economy and for the global climate. |

Please also consider the following assessment for prioritisation of proposals:

| Proposal | Assessment | Priority |
|---|---|----------|
| Scoping the development of further EU-wide end-of-waste and by-product criteria | Harmonised end-of-waste criteria are essential prerequisites for a fully functioning waste and secondary raw materials market. This can contribute to the economic recovery. EUROCHAMBRES urge the Commission to carry out the scoping exercise and to come up with a proposal as soon as possible. | Green |
| Reward systems to return old devices | Incentivising the take back of old electronic devices can be a boost for SMEs in the repair sector. Questions of liability and warranty must be clarified from the start. | Green |
| Legislative proposal to empower consumers in the green transition | EUROCHAMBRES are convinced that for a swift economic recovery after the Corona pandemic, additional administrative burden for companies, especially SMEs, must be avoided under all circumstances. This proposal should thus be postponed. | Red |
| Legislative proposal on substantiating green claims | EUROCHAMBRES are convinced that for a swift economic recovery after the Corona pandemic, additional administrative burden for companies, especially SMEs, must be avoided under all circumstances. In particular this is the case where legal remedies already exist. This proposal should thus be postponed. | Red |
| Mainstreaming circular economy objectives in the context of the rules on non-financial reporting, and initiatives on sustainable corporate governance and on environmental accounting | EUROCHAMBRES are convinced that for a swift economic recovery after the Corona pandemic, additional administrative burden for companies, especially SMEs, must be avoided under all circumstances. | Red |

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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