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Promotion of a new Circular Economy Strategy

*Joint contribution from the French Institute on the
Circular Economy (INEC) & its members for the Finish
presidency of the EU council & the new European
Commission*

In a context of increasing uncertainties caused by climate disruption, **European priorities must be defined to effectively address emerging environmental and social issues.** Among those priorities, we do believe that the development of circular consumption and production models are key factors to combat the effects of climate change and should be pushed forward during the next Environmental Council.

Today, the focus is still on lowering direct emissions caused by the energy, transport and industry sectors. However, and while research indicates that optimising the use of resources can generate significant climate change benefits, little mention has been made on the undeniable contribution of circular economy to the reduction of GHG emissions.

We recommend creating a stronger link between the circular economy and climate change policies whilst continuing the work already started by the European Commission in this area.

Therefore, the Environment Council to be held on October 4th is a key opportunity to set a new European agenda on circular economy, in the context of the upcoming European Green Deal announced by President of the European Commission Ursula von der Leyen and Executive Vice-President in charge of the European Green Deal Frans Timmermans.

I) Promoting the cross-sectoral dimension of the circular economy

Waste prevention and recycling policies help reduce greenhouse gas emissions at every stage of a product's life, from its design up until the waste's combustion.

We therefore do believe that it is essential **to recognise the complementarity of climate change and circular economy policies.** To make this complementarity a reality, we advocate for the creation of a "material" content into customs policy, like the "carbon" content. Furthermore, all the regulations on eco-design, repair, reuse and processing of materials which aim to develop new production and consumption methods should be aligned with climate policies, while ensuring a competitive European industry.

II) Ensuring eco-design norms

Eco-design norms must reflect the very multi-dimensional nature of product design where a large variety of parameters must be considered across different sectors. These include product safety, product performance and functionalities, total cost of ownership, compliance to standards, connectivity, recycled materials vs. waste classification, etc. With regards to the circularity of products, features such as expected lifecycle, serviceability/repairability, upgradability, down to end of product life dismantlability, must be factored in.

The Eco-design Directive and related regulations will therefore need to acknowledge and reflect the necessary choices required at the product design stage and leave room to EU producers to come up with circular innovations in this framework and new recycling technologies.

III) Promoting transparency and harmonised standards regarding the environmental footprint and material content of product and packaging

Specific measures on the communication of the environmental footprint of products are currently being discussed in France, in the context of the analysis of the circular economy bill in the Parliament. While we acknowledge these national efforts, we do believe that this discussion should be held at European level.

Consumers need transparency on the environmental footprint and material content of products and need to be provided with sufficient and easily accessible information on the environmental profile of a product and its packaging (from simplified form to extensive lifecycle assessment, depending upon product category and target customer segments).

We agree that environmental data may be required for business to consumers audience and that provided standard definitions, boundaries and calculation methods do exist. However, standards relating to **consumer information on the environmental footprint of products and packaging should be harmonised at the EU level.**

IV) Making services for circularity (e.g. product as a service rather than selling them) and Secondary Raw Materials (SRM) more affordable in Europe

While market forces should be allowed to shape business decisions and while we recognise that regulation should be the least burdensome, market forces alone have not been sufficient to create incentives for decarbonisation or foster the circular economy in Europe: **a long-term ambitious framework (with a 2030 and 2050 horizon)** is needed to provide legal certainty, pave the way to make Europe's energy transition a success for all stakeholders, and drive investments.

V) Coherent framework on bio-based and biodegradable packaging and products

While the "SUP directive" on the reduction of the impact of certain plastic products on the environment is currently being transposed by member states, and since separate collection of bio-waste is set to be mandatory throughout Europe by 2023 as indicated by the Waste Framework Directive, **EU needs to put in place a coherent framework and harmonised guidelines regarding bio-based and biodegradable products and packaging** to promote a circular economy that really increases environmental performances.

VI) For a right to repair

Maximising the life of equipment is an important way to achieve a circular economy. Products must be conceived in order to last longer, be repairable and recyclable.

The Directive 2009/125/EC) on eco-design introduces new obligations for manufacturers, regarding the reparability and durability of some electric products, which has to be implemented by April 2021. Nevertheless, this new framework limits the availability of most spare parts by producers to professional repairers only, excluding access to these parts to independent repairers and consumers. If this decision has been taken with regard to safety and quality issues, this could lead to a decrease in the financial accessibility of repair and limit the development of self-repair. It would therefore be desirable to **open reflections on the legal responsibility issues concerning the self-repair at European level, and encourage the generic parts market.**

The EU should encourage **the creation of a label to ensure the quality of repackaging.** The applicable label must have its specifications defined for each sector (small and large household appliances, IT, telephony, automotive, etc.), and be unique in order to avoid the multiplication of information and to build a relationship of trust with consumers.

The legal warranty period extends the life of products and improves efficiency in the use of resources, encouraging suppliers to design more sustainable products, and promoting the repair and reuse of products in circulation. The Directive 1999/44/EC of 25 May 1999 sets this warranty period for movable property at a minimum of 2 years for new property and 6 months for second-hand property. While many countries have extended this warranty period, it is now necessary to **ambitiously harmonise this 5-year guarantee period at European level.**

VII) For a more virtuous E-commerce

E-commerce in Europe is growing exponentially, with sales increasing by 13.6% compared to last year. By the end of 2019, the sector should reach €621 billion. According to the Directive 2000/31/EC of 8 June 2000 and the Directive 2018/851 of 30 May 2018, online sales platforms are not considered as sellers but merely as intermediaries, and as such are not subject to the same obligations as traditional sellers.

In order to correct this distortion of competition, protect consumer rights, improve the financing of extended producer responsibility channels, and limit the environmental footprint of this sector of activity, we recommend to **subject e-commerce to the following obligations: extended producer responsibility with all related obligations (operational or financial management of the end of product life, prevention and reuse objectives according to national regulations, etc.), environmental labelling and legal warranty.**

VIII) For a circular public procurement

Public procurement makes up a significant part of the European economy, accounting for 16% of GDP (1,800 billion euros). This economic weight must be used to develop innovations in favour of the circular economy and push economic actors to change their model. The European Directive 2014/24/EU of 26 February 2014 has already opened new possibilities for integrating environmental issues and circular economy into public procurement. However, public purchasers still lack simplified operational tools to effectively integrate circular economy aspects into their demands.

It would, therefore, be desirable to **develop harmonised tools at European level, in terms of circular economy criteria and life cycle analysis** (the only harmonised method of calculating life cycle costs in Europe concerns road transport). In addition, it is necessary to introduce binding targets for buyers in terms of circular economies in the coming years.

IX) For a coherent circular fiscal system

Currently, the prices of goods made from virgin materials are in some cases equivalent to those of products made from recycled materials. Similarly, it is sometimes cheaper to buy a new device than to repair it. These findings are explained by the fact that the price does not consider the impacts of disposable, short-lived or non-repairable products. However, we believe it is essential to move towards a more circular and ecological tax system.

The European Directive 2006/112/EC on the common system of value-added tax sets out a restrictive framework for reduced VAT rates. However, the list of goods and services that may derogate from the standard VAT rate does not include many ecologically virtuous goods.

While the European Commission is working on the revision of the directive, **Member States should be given more flexibility in the use of reduced rates, in order to support the necessary transformation of production and consumption patterns.**

X) Promoting EPR schemes to close the loop

The polluter-pays and the cost-recovery principles should be rationally applied to internalise the externalities of some products that are not yet under the scope of environmental policies.

In this perspective, **environmental policies should focus on tackling the sources of pollution.** The extended producer's responsibility can link the circular economy agenda with the polluter-pays principle. Indeed, if producers are responsible for recycling products, they will try to minimise their environmental impacts and related liabilities.

EPR is a real and effective tool to promote circular economy with the reuse, reduce and recycle principles to close the loop on materials. EPR or similar scheme could be useful for sectors such as building waste, toys, do-it-yourself and garden articles.