



August 2020

NEW CIRCULAR ECONOMY ACTION PLAN

1. WHAT IS THE EXPECTED IMPACT OF COVID-19 ON THE NEW CEAP?

European business has long supported the EU's circular economy agenda and therefore has welcomed the new circular economy action plan. It will be an imperative step in Europe's journey to become climate neutral by around mid-century. To enable this change, we urgently need a **functioning market for quality secondary raw materials and circular products**. The Commission's action plan has a real potential to help achieve these markets. It can lead to more circular product designs, better consumer awareness of wasteful behaviour, higher demand for circular and low carbon products, as well as new technologies and improved waste management systems. It can also focus on better implementation in the member states and create similar policy frameworks/standards across the G20. European businesses are fully engaged as is shown by the **200 circular business examples on www.circularity.eu**. For example, companies are working on new business models that aim to create value for consumers by extending the lifetime of products.

COVID-19 is providing an unprecedented shock to the global system that will result in several negative GDP quarters, with the EU expected to experience a GDP contraction of 7.4-7.9% in 2020 ([Commission 2020 Spring Economic Forecast / BusinessEurope 2020 Spring Economic Outlook](#)), while more severe scenarios putting this figure at around -12% in 2020 ([ECB](#)). Though the EU's policy response has also been unprecedented, the recovery will likely only be gradual. Overall, Europe could face an €850bn shortfall in private sector investment in the next couple of years ([2020 SEF](#)), of which an estimated €25bn loss is in total R&D investment. This will undoubtedly have an impact on the financial capacity of countries and companies to invest in a circular and sustainable economy.

2. WHAT VIEW ON LIFECYCLE OF PRODUCTS? SHOULD IT JUST LOOK AT THE RECYCLABILITY OF PRODUCTS, OR ALSO OTHER ELEMENTS (E.G. LONGEVITY)?

The lifecycle of a product should be based on more than simply its recyclability, as recycling alone will not be enough to create a fully functioning circular economy in Europe. All significant stages of the product's lifecycle need to be considered. This can include longevity as a means to promote waste prevention, which features at the top of the waste hierarchy. In many cases, a proper selection of materials and protecting them with additives (such as in the case of plastics) provide a sensible "no-regret" contribution to circularity. That said, it would be important to define longevity carefully (see text box).



European Parliament's IMCO Committee study on product longevity

As the IMCO study "[Promoting product longevity](#)" from March 2020 concludes in its executive summary:

"We tend to assume that longer product lifetimes are better, but even in terms solely of environmental goals, this is not always the case. Product-specific and sector-specific impacts across the production, usage and end of life phases need to be considered, and there are often trade-offs between these.

Notably, prolonging the life of a product type that is in the middle of substantial improvement in its environmental efficiency may delay the take-up of these improved products, sometimes with negative environmental impact that can outweigh the gains from producing and disposing of smaller quantities. Even for the same product, different approaches may be needed over time in response to market evolution and technological evolution.

This implies that a one-size-fits-all horizontal approach to product lifetime is unlikely to be appropriate – different approaches are suitable to different products at different times. Consumer welcome longer product lifetimes for some products, but in other cases are worried about high costs of acquiring or maintaining products with long lifetimes, or are worried about being locked into obsolescent products."

To avoid a one-size-fits-all approach to product longevity, this should be handled on a product-by-product basis in the Ecodesign Directive or wherever appropriate, and in a dynamic way to account for updates due to new technologies or other innovations.

A targeted approach to longevity could prevent policy decisions leading to negative side effects. In particular, if not managed well, replacing certain materials could lead to higher energy consumption, higher greenhouse gas emissions, unnecessary transport and globally have higher environmental costs in areas such as water and land use. For example, one local authority wanted to use a high amount of recycled asphalt for its road maintenance. However, during the LCA it was found that durability of the road would be negatively impacted due to the low quality of the fatigued material used as recycled asphalt pavement (RAP). The optimum amount of recycled material to be used in the road maintenance was considered to be 18-20% lower to meet the durability and performance criteria of the road. This shows that **synergies rather than competition between primary and secondary raw materials** could be a sustainable solution in some cases.

Consumers should therefore be given the opportunity to be **informed and educated about the full lifecycle of products (including carbon footprint)** in order to have a



clear view of their ecological footprint and performance. One example of how to do this is through environmental product declarations (EPDs), which is a common B2B practice. That said, such EPDs are complex to read without a technical background, hence need to be simplified or complemented with easy-to-understand labels.

Following a lifecycle approach, **packaging** should also be considered together with the product, as changes to the packaging design have environmental consequences for the packaged product's lifecycle. This needs to be harmonised well to prevent confusion, since there are separate extended producer responsibility (EPR) schemes for packaging and other waste streams in place (e.g. under the Packaging and Packing Waste Directive or for products under the Waste Electrical and Electronic Equipment Directive). In addition, regarding the EPR schemes, member states should clearly and legally define the roles and responsibilities for Producer Responsibility Organisations (PROs), authorities and other stakeholders in the value chain, based upon the principle of "shared responsibility", so that each player respects the obligations to achieve the recycling targets of EU waste legislation.

To address possible issues surrounding LCAs, such as a possible lack of data, BusinessEurope understands the benefits of a **common LCA methodology that can contribute to a reliable, standardised and harmonised view** at sector of activity level on the sustainability of products, tailoring it to sector-specific needs. Continued refinement of existing tools such as the product environment footprint (PEF) as well as continued industry involvement are paramount to deliver this. Public and private procurers should also be educated in using LCA information for more sustainable procurement (more on procurement below).

3. HOW COULD THE RENOVATION WAVE BE COMBINED WITH CEAP?

According to the [Communication of the European Recovery Plan](#), the renovation wave package will focus on creating jobs in labour-intensive industries (e.g. construction, renovation, etc.) and double the annual renovation rate of the today's building stock (most of which will still exist by 2050). There are several examples of how the renovation wave can be combined with the new CEAP, specifically green public procurement and local supply chains for building materials.

Green public procurement

Apart from the EU's new EUR 672.5-billion Recovery and Resilience Facility that targets among other things the renovation wave, circular principles for public procurement could be used for renovation projects of public and private buildings. With an estimated 14% of the EU's GDP being spent on public procurement, finding ways to make such procurement more focused on circularity can provide a significant boost to the uptake of high-quality secondary raw materials and circular products.



Unfortunately, while green public procurement (GPP) is one of the priorities from the 2017 Public Procurement Package by the Commission, there are strong indications that **member states often still put most emphasis on the purchase price during a public procurement process rather than on the quality or lifecycle costs of a product or service**. To solve this issue, the CEAP suggests the possibility to consider the introduction of mandatory GPP criteria and minimum GPP targets. EU-wide mandatory criteria could be considered. If introduced, such criteria should be consistent with the principles and guidelines of the Public Procurement Directive, and be based on clear definitions, sound life cycle assessments, and methodologies that have been co-developed with all relevant stakeholders. They should not limit cross-border procurement or add unnecessary burden for suppliers. The Commission should also assess whether instead of EU-wide mandatory criteria, it is not more effective to provide **guidance and capacity building to member states to help the market uptake of sustainable public procurement offers**. In contrast to mandatory criteria, we believe it is too premature to consider minimum GPP targets already before having tested the effectiveness of mandatory criteria on EU-level.

Furthermore, public procurement should make use of **functional criteria** to win a tender. For example, rather than prescribing that a road needs to be built with a certain material, the functional criteria could be that the road is safe to drive, has a long lifespan, and that the road's material is not harmful to the environment. This allows public procurement criteria to be achieved in the best possible way, favours competition for circular ideas, and makes the whole process less prescriptive. Furthermore, public procurement tenders should allow companies to **propose variations to the calls for tender** in order to offer different circular and innovative solutions to the same problem. The use of more circular procurement thinking should be **requested by the highest levels of government**, giving procurement managers a clearer mandate to apply such thinking.

Local supply chains construction waste¹

At the end of the day, “waste” is often just a secondary raw material that did not end up in the right place. For example, there is a general lack of consistency across the EU when it comes to the availability of conveniently located recycling facilities for building materials. This causes construction waste to end up in landfills, which the Commission rightfully aims to reduce to an absolute minimum. In order to make the renovation wave work, it is important to incentivise the creation of local supply chains for construction waste to ensure that the uptake and reuse of secondary raw materials in buildings is made easier. Such local supply chains also have the added value that they **reduce CO₂ emissions** as the transportation of construction waste can be done over shorter

¹ BusinessEurope in general does not support localisation of supply chains as they disrupt the Single Market, however in the specific case of construction waste, local supply chains make sense.



distances. We believe local supply chains for construction waste can be achieved through urban planning and incentivising private-led material banks for new construction. To create a business case for such material banks and boost local supply chains, technical challenges, insurance-related issues, as well as other obstacles in waste legislation and national routines need to be addressed.

Furthermore, instead of replacing the entire building, there could be more focus on the component level (e.g. renovating the façade, design buildings for adaptability and disassembly, build structural thermal energy storage or changing low-energy efficient windows) to lower energy consumption and on new technologies that increase circularity of materials used in construction (e.g. detachable adhesives or insulating sealants).

Provisions also need to be made for materials that require advanced recycling treatment, such as PVC (for which costs are high and adequate facilities less available) or concrete and asphalt from road demolition (which often lack storage space and appropriate recycling facilities). Adequate space needs to be made available for temporary storage of excavated soil that is waiting to be reused or recycled. This also will prevent unnecessary transportation.

4. WHAT ARE THE UNCERTAINTIES IN THE NEW CEAP THAT NEED TO BE ADDRESSED?

The new CEAP will likely incentivise a radical shift in the business models for many companies, which presents opportunities but also uncertainties for these businesses that need to be addressed, such as:

- **Defining the circularity of a product.** One of the most prominent parts in the new CEAP is the Sustainable Product Policy, where the existing Ecodesign Directive will be used to extend the scope of products as well as the circularity criteria (repairability, reusability, etc.). The current Ecodesign Directive has delivered impressive results, realising almost half of the EU's 2020 targets on energy efficiency. If the Commission chooses to extend its scope, it will be crucial to clarify the exact definitions, options and thresholds it is considering to define the circularity criteria, and how this would all feed into the broader discussion on applying a life cycle approach to products and on making them more sustainable overall. As businesses need to secure the safety and performance of the products the Commission is targeting, business stakeholders should be involved in defining these criteria effectively. This is especially important given that the definition of circularity and circularity criteria will probably depend on the product family. Circularity can very likely not be captured in one metric, but one of the ways in which it could be partially defined is through **multiple recycling**, where priority is given to products and processes that are suitable for several recycling cycles without loss of quality (this is already a common practice in sectors such as



aluminium, steel and glass). An additional option to partially define circularity is through **repairability** (next bullet).

- **Repairability of products:** Ensuring that products can be repaired in the long run increases their longevity and promotes reduction of waste. It also allows for reuse and for returned products to be sold as refurbished, which is a growing business-model. Any measures adopted at EU level to encourage repairability should ensure:
 - That for certain products the trader can have a say on who can repair their products as this ensures continuous quality and safety.
 - That access to information on repairability may be granted if it does not infringe business secrets and other IP rights, which would put European companies at a disadvantage in relation to other competitors. A tailored approach might be necessary for complex professional use machines that require specialised operation and service.
 - That the safety and health of consumers is not put at risk. For some products that deal with heat, electricity or chemicals it is important that repairs are done in the appropriate conditions by capable repairers.
 - That incentives are in place to ensure that enough manpower specialised in repairing and reconditioning is available, for example through education in technical areas.

- **Quality secondary raw materials.** We welcome the fact that the Commission intends to strengthen markets by increasing the availability of secondary raw materials. At the same time, the measures considered should be targeted. Each sector has its own specificities that need to be taken into account. Moreover, there is a difference between business-to-consumer (B2C) and business-to-business (B2B) products. That is why we welcome the CEAP's focus on product groups and value chains like electronic and ICT, textiles, etc. It also means that such measures should reflect the differences in conditions for different materials. For example, **mandatory requirements for recycled content** can act as a stimulus for some materials, while it may negatively impact markets where recycling rates are already very high (e.g. steel, aluminium and paper). In some cases, it might be more sensible to improve end of life recycling, i.e. the recycling efficiency of products. In this way, more high-quality post-consumer waste becomes available to the market as secondary raw material, which is not necessarily the case with mandatory requirements on recycled content. This means support for more investment in modern collection systems, sorting infrastructure and treatment technologies. Furthermore, the effectiveness of measures such as recycled content should be looked at in the context of a lifecycle perspective.



- **Administrative burden.** The Commission intends to address transparency issues to circular economy approaches by creating a European Dataspace for Smart Circular Applications (EDSCA) containing data on value chains and product information. We support incentivising voluntary business-to-business data sharing in this strategic manner so long as the overarching governance framework that oversees its implementation safeguards fair competition and intellectual property rights, in particular sensitive business information. Furthermore, the EDSCA and any other circular economy-related databases should be functional. In other words, the information collected for these databases should be limited to what different players in the value chain need to strengthen the circular economy and be synchronised with existing data systems.² Lastly, following the Commission's repeated calls for the creation of Data Spaces in their quest to make the European economy more digital after the recovery, the Commission should use the legislative framework in support of the governance of such common European data spaces as a real voluntary solution to incentivise fair and secure data sharing for companies in Europe.

- **Removing obstacles to business models centred on renting instead of ownership or encouraging refurbished goods.** Companies try to maximise their products' lifetime in several ways. One way this can be done is through "product-as-a-service" business models, where the company leases rather than sells products to its customers. Through such leasing models, the companies retain ownership over their products, which allows them to take back products more easily, make upgrades, and/or take them apart to reuse the secondary raw materials. The Commission has already indicated that it wants to incentivise the use of such new business models in the CEAP. To achieve this, the following obstacles need to be addressed:
 - **Consumer bias towards ownership.** Consumers may think that it is cheaper to buy and own a product than to rent or lease it for several years. What they forget is that under subscriptions, the repair is free as well as maintenance and other advice-use services that they would not get indefinitely if they own the product themselves. This bias may have two effects. First, the assets are not replaced in time by updated assets with new technologies and usually higher capabilities, and maintenance is not carried out at the exact moment necessary to guarantee the optimal operation, which would be the case for leased assets. Secondly, there is a risk of inadequate management of the processes of maintenance, repair and updating of assets, because when the above processes are carried out by the consumer itself,

² That databases can become disproportional to their actual goals is shown by the database for information on the Substances of Concern (SCIP), requiring the registration of substances of very high concern at component level in all products, which places a high administrative burden on businesses. Additional info that is not necessary in order for products to be used safely is also requested. As a result, a significant part of the info in the database will remain unused, as it is of no or very limited advantage to waste processors.



the application of standardized regulations that supervise all applicable processes cannot be guaranteed.

- **Learning costs.** As a company such as the Danish [GH Form Aps](#) experienced, several of its public-sector customers find it time consuming to enter into leasing agreements that need detailed requirements from their legal departments. These “learning costs” can cause customers to prefer convenient old habits and return to simply buying products.
- **Legal challenges.** Other companies have pointed out that European/national contract laws prohibit companies from entering into longer term contracts with customers, which would be needed as the revenue streams for leased products are not received immediately (like with selling a product) but are accumulated over time.

The EU could potentially help by taking away certain constraints and incentivize the use of these newer business models.

- **Waste shipments.** A revision of the EU’s Waste Shipment Regulation (WSR) is foreseen in the new CEAP, but this mainly seems to focus on ensuring that the EU does not export its waste to third countries. In the spirit of the CEAP that calls for a global shift to circular economy, we believe that more could and should be done. For example, access to waste for reuse, recycling and recovery should be improved by allowing the free movement of non-hazardous waste, reducing the time required to authorise shipments, and switching from paper-based systems to electronic ones. Furthermore, the Commission should provide more guidance to member states on how to implement EU circular economy legislation uniformly, clarify definitions and criteria on end-of-waste, by-products, recycling and reusability (dealt with under the Waste Framework Directive), and establishing a regulatory framework for the import of waste from regions without ambitious recycling systems. More information will follow in our forthcoming Single Market paper on waste shipments.
- **International actions.** It is positive to see that the Commission states the ambition to strengthen international cooperation on circular economy. What would be even better is if the Commission puts in place certain safeguards to ensure that international cooperation makes real progress over the coming years, whether it is to increase transparency in value chains, standardising definitions and circular criteria, or reaching global agreements to fight plastic waste. Milestones should be set to put a healthy pressure on these negotiations to take form soon.
- **Getting the right information to consumers** on durability and sustainability. Consumers benefit the most from further information on the sustainability features of their products if such information:



- Does not lead to an overdose of information and is presented in a way that the consumer can absorb. This information should also be easily accessible, and up-to-date (e.g. through digital means).
- Does not set unrealistic or disproportionate expectations. For example, it is not always possible to assess life-expectancy of all products given it depends on many factors (e.g. due to the way they are handled, material composition, functionality, repair costs and consumption patterns).
- Does not place traders at a disadvantage by obliging them to share their business secrets with the wider public (including competitors).

Several business organisations (amongst which BusinessEurope) worked together to produce an awareness tool – [Consumer Journey](#) – to guide businesses through the different moments of the purchasing experience on effective ways to pass on (mandatory and other useful) information to consumers. These types of tools need to be promoted and encouraged when it comes to information on circular economy and sustainability.

5. WHAT ELSE COULD GO INTO THE OWN INITIATIVE REPORT?

The new CEAP provides a large overview of different policy initiatives across different sectors. It will be crucial to ensure that all these initiatives have in mind a common set of key principles as they are being developed.

Acknowledging the importance of markets and investment certainty

As former Commission Vice President Jyrki Katainen said, circular economy needs to make business sense. Therefore, it is important that EU institutions and member states work together with European business to improve investment predictability throughout the unravelling of the action plan. One way through which this can be achieved is by having a systemic, streamlined, and comprehensive plan to improve the coherence with existing instruments instead of a multitude of different plans, strategies, and agreements. Another way to improve investment predictability is by applying the **Innovation Principle** as an integral component in the policymaking process, which means that each policy proposal is subject to a thorough ex-ante impact assessment explaining how the proposed policy will affect private sector innovation. The Innovation Principle also means that scientific and technological evidence is generated during the implementation of the policies in order to adjust the policies if it is shown that innovation is negatively impacted.

Improving enforcement of agreed EU legislation

We welcome the Commission's references in the CEAP to use its powers to improve enforcement of agreed EU legislation by member states. Unfortunately, non-compliance



with the EU's Waste legislation is costing the EU up to EUR 4.8 billion annually.³ The European Commission should continue leveraging its existing tools to provide guidance to Member States on how to do so. In addition and in line with the Better Regulation agenda, the Commission should continue to publish **ex-ante impact assessments** together with its proposals, as well as more **ex-post impact assessments** on the potential costs and benefits for the EU if Member States fully implement existing legislation, such as the reformed Waste Framework Directive, Single Use Plastics Directive and other legislations that make up the EU's new waste acquis.

Accounting for socio-economic dimensions

The instruments proposed by the Action Plan must consider not only the ecological objectives but also the economic and social dimensions of sustainability. Products are manufactured by companies according to the needs of the market. In other words, next to circular principles such as reusability and recyclability, the guiding principles should be functionality, customer benefit and product safety.

Staying technology and material neutral

It will be important that the initiatives coming out of the CEAP remain technology and material neutral. For example, the Renovation Wave initiative will require different insulation solutions to work together for the best overall result. Reducing the energy demand of buildings should follow Europe's "energy efficiency first" principle by aiming for a high-performance building envelope. As another example, in the case of plastics, all types of sustainable plastics and other options reducing the use of virgin fossil feedstock should be considered equally. Hence, mechanically recycled, chemically recycled⁴ and bio-based plastics should be evaluated based to their climate saving as well as circularity potential (e.g. via CO₂-savings vs. virgin plastics).

³ [COWI and Eunomia](#), 2019 (Commissioned by DG Environment, European Commission). The costs of not implementing EU environmental law.

⁴ For more information on chemical recycling, please see page 9 and 10 in our [2019 priority paper on circular economy](#).