

BACKGROUND DOCUMENT TO THE STAKEHOLDER CONSULTATION

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INTRODUCTION

The idea of shifting to sustainable consumption and production represents a difficult challenge within a single country and at global level, but also an opportunity for economic and competitive development. A more efficient use of resources offers benefits to society, the environment and the economy. Sustainable consumption and production is a fundamental target to get a sustainable development of the European Union. This is the overarching long term goal of the European Union set out in the *EU Treaty* in Maastricht in 1992¹. It calls for the inclusion of sustainability considerations and targets into all European policies, so that they can contribute in an integrated way to meeting economic, environmental and social objectives. Changing the consumption patterns of private and public purchasers can help drive resource efficiency and frequently generates direct net cost savings as well. In turn, it can support increase demand for more resource efficient services and products. Accurate information, based on the life-cycle impacts and costs of resource use, is needed to guide consumption decisions and allow consumers to save costs by avoiding waste as well as buying products that can be easily repaired or recycled. Using resources more efficiently, in particular, will help to achieve many of the EU's objectives. It will be a key in making progress to deal with climate change and in achieving the EU's target of reducing EU greenhouse gas emissions by 80 to 95% by 2050.

The *Europe 2020 Strategy* sets out to deliver smart, sustainable and inclusive growth and, hence, provides the actual policy context for Sustainable Consumption and Production (SCP) and Sustainable Industrial Policy (SIP). This is now Europe's main strategy for generating growth and jobs². Member States and the EU institutions are working together to coordinate their actions on the necessary structural reforms.

A first structured and synergic package of actions and proposals to improve the environmental performance of products and to stimulate the demand for more sustainable goods and services was included in the Action Plan on "Sustainable Consumption and Production and Sustainable Industrial Policy" (SCP/SIP AP)², published in 2008. The AP contains a diverse mix of legislative and non-legislative instruments aiming at making production and consumption more sustainable, while ensuring the competitiveness of the European economy.

In the recent years, many initiatives have been carried out in this framework, but more ambitious and challenging policy plans need to be developed in order to address the negative environmental impacts of consumption and to empower consumers to move to resource-efficient consumption. The growing competitive pressure on EU industry since 2008 reinforces the need to further explore the potential of resource efficiency to address competitiveness challenges by rationalizing on costs for EU companies.

For this reason, on 26 January 2011, the European Commission adopted a Communication on a resource-efficient Europe, a Flagship initiative of the Europe 2020 Strategy which proposes targets on key aspects of sustainable consumption and production. For instance, it sets out that, *by 2020, citizens and public authorities have the right incentives to choose the most resource efficient products and services, through appropriate price signals and clear environmental information*. Their purchasing choices, therefore, should generate a virtuous

¹ Treaty on European Union (Nice consolidated version) - EU Treaty (Maastricht 1992) - Official Journal C 325, 24/12/2002 P. 0005 – 0032; Official Journal C 340, 10/11/1997 P. 0145 – Consolidated version.

² COM 2008/397/EC

improvement cycle by stimulating companies to innovate and to supply more resource-efficient goods and services. This will support the shift towards a resource-efficient and low-carbon economy and achieve ambitious targets in term of economic growth, greater innovation, resource savings, climate change mitigation, and limit the environmental impacts of consumption and production.

Furthermore, a public online consultation was launched in 2011 to ask for informed opinions and suggestions on how to best achieve the transition towards a resource-efficient Europe. The greater part of consulted stakeholders has indicated as one of the most effective measures to implement at EU level, the development of binding regulations and standards such as compulsory resource accounting and reporting, and of information tools to strengthen the market for sustainable products.

The implementation of SCP actions -which is the focus of this consultation- is not the only process to contribute to the EU Resource Efficiency policy and Sustainable Development agenda. Complementary actions are being considered, in particular in the area of fiscal policies including taxation and subsidies, structural reform, eco-innovation and R&D, regional development, land use planning, energy and mobility. It appears that only concerted actions over many areas can bring satisfactory progress towards the targets set out by the EU Resource Efficiency Roadmap. For these reasons, stakeholder engagement is required.

The purpose of this document is to explain to stakeholders and the public the rationale underlying the various possible actions and to ask for targeted feedback on:

- Sustainable Consumption and Production and Sustainable Industry policies
- Green Public Procurement
- Actions for improving the environmental performance of products (Product Environmental Footprint – PEF)
- Actions for improving the environmental performance of organizations (Environmental Footprint of Organization – OEF).

1. SUSTAINABLE CONSUMPTION AND PRODUCTION AND SUSTAINABLE INDUSTRIAL POLICY

The policy problem that SCP/SIP actions should tackle is the market or governance failure to properly address environmental challenges in the increasingly complex global economic system.

The primary market problem is that the price of goods and services does not reflect all externalities or certain part of the environmental damage incurred during the life cycle of products. In addition, the manufacturing of resource efficient products may be sometimes impeded by their higher price, because the customer is not aware of their environmental benefits or cannot afford to pay the initial price despite a lower life cycle cost.

The market failure is also due to information asymmetries in transactions in different phases of value chains and production processes when economic agents do not have information about the environmental benefits, cost savings and business opportunities permitted by resource efficiency. Another market failure is the limited financial capacity of economic agents in the short to medium term to invest in facilities, technological developments and advanced skills to successfully manage the transition. The lack of adequate infrastructures or inconsistent regulation is another potential failure.

Lastly, there is a resistance to change from business as well as from consumers due to behavioural reasons such as habits and social norms.

The existing environmental policies address some market failures but they fail to tackle effectively life cycle impacts in complex supply chains. The governance failure can become more apparent if the environmental policy remains territorially fragmented while supply chains of products become increasingly global.

One of the underlying problems of both the market and governance failure is the lack of reliable information on the total resource use and environmental damage caused by products during their full life cycle. This generates confusion amongst consumers, which is reinforced by a multitude of environmental labels/claims that are often not substantiated.

In this framework, the main challenge of the SCP/SIP actions is to directly affect individual economic actors – producers, distributors and retailers, and both institutional and private end-users. The macro-level objectives of the European Union's Resource Efficiency policy (decoupling of economic growth from resource use and environmental degradation) and Industrial Policy (supporting a strong, diversified and competitive industrial basis) need to be translated to micro-level objectives driving individual economic actors to achieve the best environmental performance economically possible.

The goal is to create a dynamic system that continuously pushes and pulls economic actors in three areas:

- product³ – to improve environmental performance of products on the market
- consumption – to create demand for 'green' products and to assist consumers to consume differently in order to reduce the resource use and associated environmental impacts
- production – to improve companies' resource efficiency and competitiveness while reducing their environmental impact

³ The concept of product includes both goods and services

This section of the consultation relates to proposals to improve the existing EU SCP/SIP regulatory instruments and policy measures (i.e. those included in the 2008 SCP/SIP Action Plan) as well as the introduction of new ones to pursue an effective contribution to the objective of the Resource Efficiency Agenda.

The main focus of this section is to support the definition of policy options that respond to the following challenges:

- A. Ensuring more environmental friendly products on the EU market, in order to promote the access to market and the uptake and competitive success of more sustainable products;
- B. Promoting sustainable consumption, i.e. supporting demand for “green” products and assist consumers to consume differently, in order to reduce the resource use and associated environmental impacts.
- C. Implementing a Sustainable Industry Policy, i.e.: stimulating and supporting the efforts by industry to improve resource efficiency and competitiveness while reducing the environmental impact

1.A. Ensuring more resource efficient and environmental friendly products in the EU market

One of the priorities in implementing a SCP set of actions that contribute to the Resource Efficiency Agenda is to stimulate producers to supply products the design and production processes of which are based on resource efficiency and life-cycle considerations, as part of an extended producers responsibility approach. This goal can be achieved through a consistent mixture of regulatory and voluntary measures in order to boost environmental performance. Such measures can include actions for strengthening the effectiveness of the existing EU SCP regulatory instruments and policy measures and the setting up of new instruments and standards. Particularly, actions can be envisaged to increase the opportunities for producers to gain a competitive advantage on the market as a reward (and a stimulus) for the production of more sustainable products.

To this end, the following actions could be considered:

1.A.1 Strengthening the requirements concerning resource efficiency, beyond energy, into the various EU SCP regulatory instruments

Some of the existing EU SCP regulatory instruments mainly focus on energy-using or energy-related products as well as consider, in a great extent, energy consumption in setting product performance requirements.

Ensuring that resource efficiency, and in particular material resource efficiency, is considered more carefully when setting the requirements of the various EU SCP regulatory instruments could extend their potential benefits to other environmental aspects.

Furthermore, the introduction of mandatory requirements for resource efficiency in a new legislative framework to promote a single market for sustainable products could be explored.

1.A.2. Improving synergy and consistency between EU SCP regulatory instruments and policy measures

The several product-related policies implemented at EU level suggest that future policy action should strive for better connections between existing instruments before proposing any additional overarching legislation.

In order to guarantee synergy and complementarity between different EU SCP regulatory instruments and policy measures, several actions could be considered, such as: using common evidence to improve coordination in standard setting⁴; aligning the “criteria setting” process for the same product categories⁵, aligning the process of developing and approving the requirements for the same product categories⁶ and homogenize the different testing and verification methods used in the existing schemes.

Moreover, the introduction of a new legal framework instrument for sustainable products could be considered, in addition or in substitution to the existing product-related policy measures, so to allow for a stronger consistency between requirements concerning the product-related environmental performance, a more holistic approach related to different sustainability dimensions and the consideration of a wider spectrum of policy objectives in the same instrument (e.g.: requirements for the verification of green claims, currently out of the scope of the EU SCP regulatory instruments).

1.A.3. Developing actions to optimise the resource efficiency of packaging⁷

The contribution of packaging waste from households and commercial to total waste generated amounts to 3% and continues to increase⁸. Developing actions to optimise the resource efficiency of packaging are, therefore, essential to prevent waste production and address resource efficiency targets.

The strengthening of existing regulation introducing specific requirements on the resource efficiency of packaging could be considered both as mandatory requirements (e.g.: in the EU Directive on Packaging and Packaging Waste or in the “Packaging Essential Requirement” legislation) and as “criteria” for specific product groups under the various EU SCP regulatory instruments and policy measures.

The promotion of private or public initiatives and networks/consortia for the development of technical solutions to improve the recyclability and reusability of packaging waste is also presented as an additional policy option.

⁴ The criteria for the EU SCP regulatory instruments are usually set on the basis of technical and market evidence that is collected by way of specific preparatory studies. If this evidence is univocal for all the EU SCP instruments, assumptions on environmental and economic/competitive effects of new criteria are the same and the result can be a higher level of homogeneity of the approach.

⁵ If the criteria are set as a result of a single process for different “uses”, taking into account the different objectives of the EU SCP regulatory instruments and policy measures, a stronger consistency can be guaranteed (e.g.: in defining the thresholds).

⁶ E.g.: the stakeholder consultation process can be carried out once for all the criteria within different EU SCP regulatory instruments referring to the same product group.

⁷ According to the Resource Efficiency Roadmap, and considering the specific legislation that regulates this policy area, ‘packaging’ is dealt with as a single issue in the consultation process, also because of its relevance in determining and potentially improving the environmental performance of products throughout their life cycles.

⁸ The European Environment: State and Outlook 2010, Material resources and Waste, European Environmental Agency, 2010

1.A.4. Strengthening the legal requirements and voluntary initiatives for product durability

Recycled content, recyclability, reusability, upgradeability and durability⁹ are all worthwhile aspects to pursue and support the achievement of waste prevention objectives. In particular, understanding the ‘optimum life’ of products or provide clear information to end-users on **product durability can allow great** environmental savings.

Future policy options could introduce mandatory durability declaration for the estimated time duration of some products; or extend the mandatory warranty period.

Encouraging the development of industry voluntary agreements to adopt “durability declarations” for specific product groups and disseminating product design guides to help producers, retailers and designers understand the ‘optimum life’ of the product could also be considered as action to pursue.

1.A.5. Augmenting competitive rewards for environmentally friendly products

Achieving competitive rewards from the market is strongly important for steering supply into environmentally friendly production. As commercial entities, companies do not naturally invest in environmental friendly product unless benefits are clear. Many potentially relevant incentive schemes exist, from tax-based measures to product rating, information tools and support and tradable permit schemes, but their effectiveness is not obvious since it depends upon a complex range of factors which make complex their design.

In this context, Member States should be supported to remove environmentally harmful subsidies and guided on how to provide effective incentive measures.

The incentives could be linked to PEF (Product Environment Footprint) and OEF (Organisation Environmental Footprint), based on the above mentioned methodologies set by the European Commission (see section 3 and 4 of this document). Revision of funding programmes to encourage better environmental performance of products or organisations could be also considered in order to gain experience with the methodology's usefulness and effectiveness in transforming purchasing habits.

1.B. Promoting sustainable consumption

The provision of information on environmental performance of products is important, but not sufficient for changing consumers' behaviour. Other conditions must be met, including *availability, affordability, functionality and attractiveness of "green" products*. Moreover, the consumer should be motivated, persuaded and incentivised to make more sustainable purchasing choices and, in some cases, specific measures should be designed to sustain the demand on the product market. Finally, resource efficient and more environment friendly

⁹ The terms included in the question can be defined as follows:

- **Recyclability:** Characteristic of materials that still have useful physical or chemical properties after serving their original purpose and that can, therefore, be remanufactured into additional products.
- **Durability:** The quality of goods of continuing to be useful after an extended period of time and usage.
- **Reusability:** Ability of a good that allows it to be used repeatedly unlike a disposable good.
- **Upgradeability:** Capability of a good to be revised, almost always with the expectation that additional features or capabilities will be included.

consumption need to be translated into a social norm in order to change the day-to-day behavioural attitudes of consumers, otherwise there is the risk that the lifestyles of many will not change and sustainable consumption will only be practiced by an environmentally conscious minority with a limited effect. Some of the actions that can be envisaged to strengthen the effectiveness of the current policy approach in the EU include, for example, a higher visibility for sustainable products, a more incisive regulation of misleading green claims to prevent “greenwashing” and fiscal measures incentivising sustainable purchasing. Some market actors, such as the retailers, should play a key-role in implementing these actions.

The following actions could be envisaged:

1.B.1. Enabling purchasers to get better information on product environmental performance

In order to provide purchasers with comparable information throughout the EU and avoid the proliferation of labels in the Internal Market, the definition of harmonised requirements and the implementation of measures to improve the environmental communication on products could be effective actions.

Several options could be carried out in order to pursue this aim. For instance, a voluntary or mandatory scheme for PEF - Product Environmental Footprint declaration could be created, based on a third-party validation or an obligation can be imposed on producers to provide environmental data and information on specific aspects of the product.

Focusing on existing policy tools, the integration of the PEF - Product Environmental Footprint methodology into all relevant product policy instruments at EU level that provide information to consumers on environmental performance of products could be also considered.

1.B.2. Further preventing misleading green claims

As “greenwashing” is proliferating, the use of confusing and misleading environmental claims should be discouraged.

An integration of the EU regulatory framework, that is current under review, to address this problem, could be explored. For instance, some selected words or expressions like “green”, “eco”, “natural” could be reserved to products that meet specific requirements in terms of environment footprint or be associated to environmental claims verified by third-party.

In addition, EU-harmonised voluntary code(s) of conduct on the use of environmental claims in advertising could be set up.

1.B.3. Encouraging retailers to stimulate sustainable consumption

The role of the retailers is crucial to steer purchasing decision towards better environmental performance product.

Future policy could explore appropriate ways to encourage retailers to ensure that better product measured by environmental footprint are available for purchase by consumers. For instance setting up requirement (or incentives) to obtain that a reasonable **percentage of**

products, in selected priority categories offered by the retailer, would qualify as meeting the performance benchmark set through an ecodesign or ecolabel scheme could be considered. Retailers could also be encouraged to use marketing tools to promote “green” products and better inform consumers as well as to phase out from shelves less environmentally friendly products (e.g. for energy labelled products those which are in the lowest classes of the scale). The role of existing multi-stakeholder platforms, such as the EU Retail Forum for Sustainability¹⁰, could be enhanced to deliver on sustainable consumption objectives and promote voluntary agreements or formal covenants to recognize results achieved by actors taking part in the platforms.

1.B.4. Providing incentives for purchase of better performing products

The incentives, and their **level**, for consumers to purchase better products (e.g. tax rebates, primes, eco-cheques, etc.) should be **linked with the environmental performance** of products as measured by their environmental footprint. For this purpose the introduction of schemes for monetisation (i.e.: internalisation of environmental externalities) of some environmental impacts¹¹ identified in the life-cycle assessment could be considered. The benefit from the incentive could correspond to the monetary value of the averted environmental impacts.

Applying VAT on the basis of environmental performance of products could also be considered if the situation is opportune in the context of reforms of fiscal systems in Member States (for instance by eliminating reduced rates for more polluting products).

Moreover, the introduction of awards for best products (from sustainability, attractiveness, innovation and cost efficiency point of view) in the framework of an existing EU business/consumer award scheme, e.g. the EU Business Award, could be explored.

1.B.5. Strengthening the promotion of (and sensitisation on) sustainable lifestyles towards citizens and communities

Current consumption patterns are one of the main driver of environmental degradation. To address this huge challenge, the Commission, in cooperation with Member States and other stakeholder should promote sustainable lifestyles by increasing consciousness of the overall environmental, social and economic impacts of the throw-away culture.

Member States, supported by the Commission, could be asked to introduce in their educational curricula subjects, methods and materials encouraging sustainable consumption and ensuring a better understanding that well-being does not mean overconsumption of material goods.

National, regional and local initiatives could promote, supported by the Commission, sustainable lifestyles, notably through dedicated EU programmes, such as the Structural and Cohesion Funds and instruments like Life+. In this context, it could be proposed, for instance, to further develop 'on line consumer education tools' focusing on sustainable consumption.

¹⁰ http://ec.europa.eu/environment/industry/retail/index_en.htm

¹¹ These schemes are based on the internalisation of environmental external costs by way of an appropriate price mechanism, similar to that applied to environmental costs of air emissions in the Clean Vehicle directive 2009/33/EC

1.C. Sustainable Industrial Policy

The 2008 SCP/SIP AP gave particular attention to environmental industries - which obviously remain important – but sustainability is now of interest to everyone. That is why extensive internal consultation has taken place with policymakers dealing with many industrial sectors to:

- determine how the “marriage” between sustainability and competitiveness is taking shape in practical terms in real businesses;
- highlight areas where limits have been reached and further environmental pressure or regulation would be misguided or counter-productive;
- identify specific policy gaps or need for new actions.

The challenge is to develop and implement actions that meet this need. A specific focus of these actions is to target SMEs needs to overcome barriers and constraints that can prevent them from effectively implementing sustainable business strategies. For this reason, efforts can be made to provide SMEs with adequate support and direct assistance and to develop new business models that can help them to share and optimise their economic resources.

The following actions could be considered:

1.C.1. Improving waste management and recycling

The perception of waste among industrial actors is changing. Waste has traditionally been seen as a problematic by-product from industry and households but it is more and more being recognised as a valuable commodity as input for industry. The reason for this change of view mainly stems from concerns in the manufacturing sector, which is experiencing rising prices on raw materials and trade barriers from third countries that jeopardize European access to raw materials.

SCP/SIP actions, therefore, should deal with the waste and recycling sector to ensure and, when possible, improve the framework conditions for smarter use of waste and by-products by increasing the opportunities of recycling critical materials in the new legislation and/or promoting voluntary agreements with industry to increase recycling of critical materials.

In addition to the ongoing work with End-of-Waste definitions, strengthened measures to combat illegal waste shipments could be carried out.

1.C.2. Helping SMEs contribute to a resource-efficient economy

Small and medium-sized enterprises represent a large part of EU economy, being some 99% of all enterprises and 57% of economy value added, as such they also have a primary role to move the EU economy towards more resource-efficient consumption and production patterns. As highlighted by both the 2008 SIP/SCP Action Plan and the 2011 Review of the Small Business Act (SBA), the main obstacles to resource efficiency in SMEs are limited information, expertise, time and resources (human and financial).

Therefore, the SCP/SIP actions should lead to the implementation of the solutions identified in the 2011 SBA Review to “help SMEs contribute to a resource-efficient economy”, as well

as in the Resource Efficiency Roadmap, namely by: providing targeted information on environmental-related issues, promoting networking and cooperation (in particular: networking and exchange of best practice between agencies running schemes on resource efficiency for SMEs), providing technical and economic assistance to promote resource efficiency and eco-innovation in SMEs.

1.C.3. Promoting green business models & industrial symbiosis

Many traditional business models involve using resources to make and sell products. This drives high levels of resource use and waste. The SCP/SIP actions could seek to encourage greater commercial uptake of service-based business models through which businesses can make profit with fewer resources. The defining factor for green business models is that a change in a business model leads to improved economic and environmental performances of the company and suppliers/customers involved. The focus on green business models is based on non-technological changes in the company's business model and occurs across all industries as well as in the whole supply chain. The most common transformation towards green business models is seen in companies shifting from selling products to services; thereby giving the supplier an incentive to regard the whole life-cycle-costs such as energy consumption, maintenance, durability, etc.

Moreover, industrial symbiosis such as eco-industrial parks and clusters, based on a cooperative approach between firms operating in a specific local context, can accelerate innovation process and lead to improved environmental performances by sharing key environmental services (water, energy, waste) and optimizing the organization of activities that have an impact on the environment.

2. GREEN PUBLIC PROCUREMENT

Sustainable consumption is one of the pillars of the SCP set of actions that contribute to the "Resource Efficiency" Flagship Initiative.

With an annual purchasing budget of approx. €2 trillion (approx. 18% of the EU's GDP¹², public authorities have a great potential, if provided with appropriate information and guidance, to drive the market towards more sustainability and to achieve significant savings in water, energy and other resources. Green Public Procurement (GPP) is an important tool in enabling authorities to achieve this goal.

The implementation on GPP in the Member States has evolved quickly in the last years. In 2008, only seven Member States were practising a significant amount of GPP while in the remaining 20 Member States, GPP was applied much less, or not at all¹³.

¹² European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan. COM(2008) 397/3, Brussels

¹³ Commission staff working document (SEC(2008) 2126) accompanying the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Public procurement for a better environment - Impact assessment http://ec.europa.eu/environment/gpp/pdf/sec_2008_2126.pdf

Since 2008, the European Commission has implemented a number of actions to encourage greater uptake of GPP. In its Communication "Public procurement for a better environment"¹⁴, the European Commission set an indicative target that, by 2010, 50% of all public tendering procedures should be green, where 'green' means compliant with endorsed common core EU GPP criteria. In addition, the Commission services have undertaken the following actions:

- the development of common GPP criteria for 18 product and service groups and their publication by the European Commission¹⁵ ;
- conducting a series of training and awareness events;
- the publication by the European Commission of legal guidance for the implementation of GPP criteria, included an updated version of the handbook "Buying Green".

Furthermore, the Commission services have put into place a new process to develop EU GPP criteria including a broad stakeholder consultation¹⁶. This new approach has started for the first product groups (Imaging Equipment, Taps and Showerheads, Buildings, Heating Systems, Urinals) in 2011.

By now, a large majority of Member States have adopted dedicated National GPP Action Plans and have put measures into place to enhance the uptake of GPP. However, the level of GPP uptake is still uneven between Member States, remaining comparatively low in some of them. Moreover, green public procurement criteria developed by Member States are not always similar to those developed by the European Commission. The diversity of green public procurement criteria across Member States can increase administrative costs for suppliers, who operate in more than once country and hence need to provide different information to different procurement units to prove compliance with their criteria. It is necessary, hence, to assess what are the main obstacles for the unsatisfactory uptake of GPP and to identify means to overcome these.

This public consultation should generate input for the European Commission to devise future GPP policies and strengthen its contribution to the "Resource Efficiency" targets.

The future policy could consider the following options:

2.A Baseline scenario (Option 1)

This policy option could consist of, for example, the revision of existing GPP criteria for product groups, the continuation of the provision of the GPP helpline; the continuation of the provision of guidance and information, including the Handbook; the continuation of awareness raising; and maintaining the political target of 50% use of GPP.

2.B Strengthen the current GPP approach (with new voluntary and/or legislative measures)

The voluntary measures could include strengthening the ambition level of common GPP criteria for products and services; Enlarging the scope of the priority sectors/product groups; developing Life Cycle Costing (LCC) methodologies for relevant product groups. The legislative measures could include the setting a mandatory target for the

¹⁴ COM (2008) 400, published on 16 July 2008 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0400:FIN:EN:PDF>

¹⁵ http://ec.europa.eu/environment/gpp/gpp_criteria_en.htm

¹⁶ http://ec.europa.eu/environment/gpp/gpp_criteria_process.htm

uptake of GPP at EU level, the inclusion of certain environmental criteria in EU Funding programmes, and making the inclusion of certain environmental criteria in tendering procedures obligatory in sector specific legislation, as it is already the case for the Energy Star Regulation or the Clean Vehicles Directive.

2.C Discontinue EU GPP policies (Option 3).

Under this policy option the European Commission would stop the support currently given to promote GPP.

3. IMPROVING THE ENVIRONMENTAL PERFORMANCE OF PRODUCTS

A range of policies are in place to improve the environmental performance of products (e.g. the Ecodesign Directive, the Energy Labelling Directive, the EU Ecolabel Regulation and several programmes and initiatives at Member States level and in the private sector). These initiatives set out energy efficiency requirements and provide consumers with information on the energy and environmental performance of the products. However, the proliferation of initiatives, especially private-owned ones, have led to several issues that must be addressed: consumers receiving misleading or conflicting information about the environmental performance of products, possibility conflict with World Trade Organisation (WTO) requirements on labelling, and fragmentation of existing policy measures/internal market.

Recently, in its conclusion to “Sustainable materials management and sustainable production and consumption”¹⁷, the European Council invited the Commission to “develop a common methodology on the quantitative assessment of environmental impacts of products, throughout their life-cycle, in order to support the assessment and labelling of products”.

This conclusion followed the results of a study previously carried out on product carbon footprinting, which recognised that the PEF (Product Environmental Footprint) represents a more complete picture of a product’s environmental impact. Therefore, the European Commission is now working together with the Commission’s JRC IES and other European Commission services towards the development of a harmonised methodology using a life-cycle approach for the calculation of the environmental footprint of products¹⁸. The methodology is also referred to as the Product Environmental Footprint (PEF) and is based on several international and European methodologies and standards¹⁹. The PEF methodology includes specifications for Product Environmental Footprint Category Rules (PFCRs), aimed at providing detailed technical guidance on how to conduct a PEF study for a specific product category²⁰. The Commission aims to use this methodology as part of an initiative to improve

¹⁷ Council of the European Union, 17495/10, Sustainable materials management and sustainable production and consumption: key contribution to a resource-efficient Europe - Draft Council conclusion Brussels, 13 December 2010

¹⁸ http://ec.europa.eu/environment/eussd/product_footprint.htm

¹⁹ In line with ISO 14040, the PEF methodology focuses on the environmental pillar of sustainability, without addressing life cycle cost and social life cycle considerations

²⁰ PFCRs provide a robust, life cycle based framework that complements the PEF methodological guide for the assessment of the environmental footprint of products. PFCRs shall provide further specification at the process and/or product level and thus have an important role in increasing the reproducibility, consistency, and relevance

the environmental performance of products in the framework of a set of SCP/SIP actions that contribute to the “Resource Efficiency” Flagship Initiative. The objective is to harmonise and strengthen the way in which the environmental performance of products is communicated along value chains and to final consumers, in such a way to create a “level playing field” for a fair competition that is based on verified performances and not on vague green claims, and on the possibility to provide the market with high quality and relevant environmental information.

The following actions could be envisaged:

3.A Baseline scenario

The baseline scenario is also referred to as a “Business as Usual” (BaU) scenario which is used to explain how the current situation would evolve without additional intervention or “no change in policy”. The BaU option would essentially mean that the current situation in the European Union with the proliferation of private and voluntary initiatives supported by public authorities (in some Member States) would continue.

Under this scenario, relevant existing initiatives will be analysed for the development of the baseline scenario, e.g. trends in uptake of the initiatives, sales and marketing information, employment information, etc. These initiatives include current EU SCP regulatory instruments and policy measures, as well as relevant national and international initiatives such as Nordic Swan, Blue Angel, Sustainability Consortium, and BP X30-323.

3.B Strengthen the EU Ecolabel

The EU Ecolabel was recently revised (2009) to improve its overall performance and attractiveness to companies and to consumers. Under the revision, improvements to obtain include: (i) increasing recognition of the EU Ecolabel by producers and consumers; (ii) harmonizing EU Ecolabel criteria with other environmental product labels, nationally and globally; (iii) decreasing the administrative and economic burden on SMEs and micro-enterprises; (iv) opening up the scope of the label to include more product groups.

While the scheme has been growing well over recent years, it is clear that more can be done to streamline its procedures that would help to obtain the overall goal of improving the environmental performance of products and increasing their share and uptake in the market. Therefore, other options to further strengthen the EU Ecolabel are described in the sub-options below.

3.B.1. Increasing marketing efforts of the EU Ecolabel

Increasing the efforts on EU Ecolabel marketing could significantly increase the awareness of consumers in the EU and thus increase the market share of ecolabelled products. During the revision of the scheme, scenarios were carried out to determine the extent of recognition by the EU population of the EU Ecolabel in 2017. Scenario results are relatively negative in terms of level of awareness of the EU Ecolabel without further action: 10-20 % of population

of product environmental footprint studies. PFCRs facilitate focusing on the most important parameters, thus also possibly reducing time and efforts for completing a PEF study.

recognise the EU Ecolabel and its meaning in 2017; 10-20 % of companies recognise the EU Ecolabel in 2017.

For comparison, the EU Ecolabel marketing budget is 127 times lower than the Nordic Swan's marketing and communication budget of €3 million²¹.

3.B.2. Simplifying EU Ecolabel criteria

This option proposes the simplification of the EU Ecolabel by focusing only on the 3-4 most relevant environmental impacts and limiting the number of non-environmental performance related criteria. The rationale under this option is that it would significantly lower the administrative and technical burdens for SMEs and thus encourage greater uptake of the EU Ecolabel.

Under this option, it will be important to ensure that simplifying the EU Ecolabel criteria does not lower the environmental performance of EU Ecolabelled products.

3.B.3. Integrating the PEF methodology into the EU SCP regulatory instruments and policy measures

This sub-option proposes to integrate the PEF (Product Environment Footprint) methodology into the EU SCP regulatory instruments and policy measures. Currently, they use a life-cycle approach to develop the environmental criteria for relevant product groups. However, the current criteria setting process could further benefit and improve its process by integrating specific aspects of the PEF methodology. This could include for example communicating the PEF - Product Environmental Footprint to consumers through the use of different aggregated indicators (e.g. specific information on CO2 emissions, water consumption, etc.) rather than the global symbol which is currently communicated to consumers (e.g. the EU Ecolabel flower). In addition, the implementation of financial incentives/mechanism could also be included in this sub-option. The financial incentives could be distributed based on the extent to which companies have followed the PEF guidelines and linked to targets and conditions in such a way that the benefits provided to companies are related to the attainment of a certain level of product environmental performance.

Under this option and depending on the initiative in question, only certain selected product groups or particular stages of the PEF methodology could be applied. In addition, it is proposed to further strengthen the criteria towards improving the environmental performance of products, boosting the material resource efficiency of products (e.g. reusability, /recyclability, upgradability, durability). This could include, for example, the use of the PEF - Product Environmental Footprint (PEF) as the methodology to be used for the identification of the most relevant environmental impacts under EU SCP regulatory instruments and policy measures

3.E Regulatory approaches

²¹ ec.europa.eu/environment/ecolabel/about_ecolabel/revisions/ecolabel_ia.pdf

This option proposes a new legislative framework to promote a single market for sustainable products. Mandatory measures could be applied to priority products only or to all product groups. It could take the shape of a framework directive setting up the main requirements at EU level, and sector/product-specific regulations to support it.

Several measures would need to be included under this option towards promoting greener products. These include: use of the PEF methodology; guidance and criteria on verification procedures; guidance on how to effectively communicate environmental information on products; implementation of financial incentives/mechanism; a penalty scheme, implementation of a pricing scheme.

3.D. Voluntary schemes

In this case, different options using a voluntary approach towards improving the overall environmental performance of products and increasing their uptake in the market are presented.

Voluntary options could also be challenged under WTO rules, depending upon the exact design of the option and supporting measures. This aspect will be analysed in detail during the impact assessment.

For the options described below, measures could be applied to priority products only or to all product groups.

3.D.1 Voluntary scheme on communication and benchmarking of product environmental performance

This option proposes the development of a product communication and benchmarking scheme, based on the PEF methodology. A product benchmarking scheme would provide producers with the environmental performance of a standard baseline product, against which they could benchmark their own products. The rationale behind this scheme is to motivate and encourage producers to develop products that perform better than the baseline product. Consumers will have the possibility to make better informed choices when buying products, under the assurance that the information provided is based on sound science, high quality data and independently verified information

3.D.2. Voluntary agreement with stakeholders

This option would develop a voluntary agreement with key stakeholders (e.g. retailers, producers, MS, industry federations etc.) and could be overseen by the EU and MS, to ensure coordination amongst the approaches, and common standards. Member States could be the coordinators in their respective country, with the European Commission taking overall lead of activities and planning (e.g. through a platform). The voluntary agreement would work towards a coordinated effort at the EU level to incite key stakeholders to partake in activities that would green their products and increase their market share.

The voluntary agreement could set key targets that stakeholders could work towards, such as adopting the PEF methodology. It could also include an objective to make green a certain percentage of their products or for retailers to make available to consumers a certain percentage of green products.

4. IMPROVING THE ENVIRONMENTAL PERFORMANCE OF ORGANISATIONS

Implementing actions of the Roadmap to a Resource Efficient Europe, the European Commission intends to stimulate organisations (companies, public sector, etc) to systematically assess, display and benchmark their environmental performance as measured by the organisations' environmental footprint methodology (OEF)²². The umbrella OEF methodology can be applied in any sector, but cannot be used as a basis for comparing the environmental performance of organisations. In the future, sectoral rules (Organisation Footprint Sectoral Rules, OFSRs²³) will be developed with the involvement of relevant stakeholders, which will simplify the application of the methodology, take sectoral specificities into account, and allow for sectoral benchmarking. For this purpose, priority sectors would be defined. It is planned to complement this measure with a mix of financial, regulatory and reputational incentives. This includes incentives for the measurement and reporting of environmental performance, but also incentives for improvements in environmental performance.

Special consideration is given to the costs for small and medium-sized enterprises and organisations (SMEs). The cost for SMEs to assess, display and benchmark their environmental performance may be disproportionately high compared to larger organisations. At the same time SMEs should be able to benefit from the same opportunities offered by improved performance and incentives as larger organisations.

In this framework, the following actions could be considered:

4.A. Baseline scenario

The baseline scenario would essentially mean a continuation of the current situation in the European Union, analysing its expected evolution without further intervention. This would include the continuation of certain existing initiatives to support improvements in the environmental performance of organisations, including actions by public authorities (in some Member States).

²² The OEF and the PEF methodologies both rely on a life cycle approach. The two methodologies are tightly interlinked and have many elements in common. For further info see: http://ec.europa.eu/environment/eussd/corporate_footprint.htm

²³ The OSFRs aim at providing the required further specifications to achieve increased reproducibility, consistency, relevance, focus and efficiency of OEF studies. OSFRs are conceived to focus environmental footprint assessments on those aspects and parameters most pertinent to determining environmental performance for the sector considered. An OSFR can further specify requirements made in this OEF guide and can add new requirements where the more general OEF guide leaves several choices.

4.B. Voluntary approach

This option proposes a voluntary approach to the more systematic assessment, display and benchmarking of the environmental performance of organisations based on the organisations' environmental footprint (OEF) methodology. The methodology would be completed by sectoral rules, which would take sectoral specificities into account and allow for sectoral benchmarking. All options include complementary supporting actions such as participating in international coordination and the development of tools to make it easier for organisations to implement the methodology. Two sub-options are proposed:

4.B.1. Promotion of the common methodology on a voluntary basis

This sub-option would entail the EU actively promoting the use of the OEF methodology by organisations, for use in the assessment, display, and benchmarking of their environmental performance. Sectoral specificities would be taken into account by the development of sectoral rules. Existing instruments, such as EMAS, CSR policies, existing reporting platforms, investors' associations could be partners in this voluntary approach.

The voluntary approach would be supported and reinforced by linking the use of the OEF methodology with access to certain incentives.

4.B.2. Council Recommendation on the use of the common methodology

This sub-option would include a number of similar elements to the sub-option described above but would be reinforced by a Council Recommendation to Member States to use the common methodology for their initiatives related to the measurement, reporting, benchmarking or incentivising environmental performance.

4.C. Mandatory approach

Mandatory approaches include two main instruments: a Directive or Regulation. Under a Directive, the conditions can be adapted (through transposition) by Member States to fit their national legislations, whereas a regulation is applied in an identical manner in all Member States. In other words, directives hold more flexibility for Member States, whereas with a regulation every Member States has to accept the same definition. The common methodology for organisations' environmental footprinting (OEF) and the development of sectoral rules are cornerstones of this option as well. All options include complementary supporting actions such as participating in international coordination and the development of tools to make it easier for organisations to implement the methodology. Two sub-options are proposed.

4.C.1. Mandatory instrument for larger organisations in priority sectors

This option would include an obligation for larger organisations in priority sectors to use the common methodology for measuring and reporting their environmental performance. Priority sectors would be identified on the basis of factors such as contribution to environmental degradation, dependence on critical resources, etc. The mandatory requirements include the use of sectoral benchmarks and incentives to drive performance improvements.

4.C.2. Mandatory instrument for larger organisations in all sectors

This option would be the same as described for the sub-option above, but would be applied to all larger organisations.

4.D. Expansion and/ or strengthening of existing policy instruments to drive increased measurement and reporting of environmental performance

A number of existing EU policy instruments are directed towards improvements of the environmental performance of organisations, and already include requirements to report on specific aspects of their environmental performance. This policy option may involve the extensions of these existing requirements to cover a wider range of indicators of environmental performance and life cycle elements, eventually using the OEF methodology.