



## EUROPEAN RESOURCE EFFICIENCY PLATFORM

### Recommendations for short-term priorities

Working document for the EREP Plenary of 14 December 2012

#### Introduction

The Sherpas of the European Resource Efficiency Platform (EREP) met on 22 November 2012 to prepare the Platform plenary meeting of 14 December. The main objective was to define priorities among the large number of ideas discussed in the three Working Groups set up in June, choosing those themes for which measures could be implemented and have effects in the relatively short term.

#### I. The Circular Economy / Greening the Economy

The Sherpas propose a number of topics and themes as priorities concerning the circular economy along the main stages of the life cycle / value chain.

First, the **international dimension** of resource efficiency is vital to support opportunities for EU business in growth markets for green products abroad. For green sectors, just as for other sectors, there is a need for EU policy to aid competitiveness, to continue to press for open markets and to protect of intellectual property rights. Just as important when designing policies for resource efficiency, is the need to take into account our resource impact outside the EU.

Another priority horizontal theme is the need to raise **awareness** and improve understanding of the circular economy and new business models, in particular in the field of consumer products. There is a need to communicate more positively and dynamically on the future resource efficient economy, especially through case studies of successful or unsuccessful experiences. One possible action by the EREP could be to assemble an **online compendium** of resource efficiency case studies.

The priority themes, taking into account their feasibility in the near term and their impact, are:

##### 1. Measuring environmental and resource impacts

A clear and simple method for helping companies provide information to their customers on environmental impacts is needed:

- to avoid the costs of dealing with a proliferation of methodologies;
- to secure benefits across the single market and internationally;
- to help inform the choices of consumers;
- to help with better design of public policies;

This should cover life cycle analysis and environmental footprints.

## **2. Standard setting for sustainable sourcing**

Over half the tonnage of raw materials used in the EU goes to augment existing stocks (buildings, infrastructure, etc.) and is thus unavailable for reuse or recycling. Practical and enforceable standards for sustainable sourcing could help to address this problem, as well as ensuring a level playing field for business. They could be based on existing voluntary standards.

## **3. A coherent resource efficient product policy framework**

A consistent framework covering ecodesign, labelling, restrictions on harmful substances and waste is required to facilitate more resource efficient choices by businesses and consumers. The aim is to increase the supply of and demand for resource efficient products by making choices available, accessible, attractive and affordable. Further, broadening producer responsibility schemes could discourage planned obsolescence, promote ecodesign, dismantlability and recyclability, thus supporting the reuse and recycling sector.

## **4. Improved information for purchasers (e.g. product passport)**

Clear information is needed to clarify which resources an end-consumer-product contains, how it could be repaired, dismantled, recycled and re-used, and what its environmental impact is. Tagging or labelling could be a first step. It should be practical and non-bureaucratic and could initially be voluntarily tested on a business to business level, and then used for public procurement. Special consideration should be given to the concept of a product passport. Data acquired by product passports could be stored in a European Resource Database to enable easier recycling and re-use.

## **5. Encourage green procurement (public and private)**

Given the size of the public procurement market, green public procurement has great potential to drive resource efficiency, provided criteria are practical and broadly accepted at EU level. Further work could focus on life cycle criteria and making sure SMEs are not disadvantaged. The question of targets for public entities should be investigated, as well as the possibility that companies could voluntarily adopt green procurement criteria for their own purchasing. Members of EREP could set an example.

## **6. Promoting industrial symbiosis**

Industrial symbiosis comprises networks of companies operating in different sectors of activity that engage in mutually beneficial transactions of residues and by-products to find innovative ways to source inputs and optimize the value of the residues of their processes. It has a proven track record of being an accelerator of innovation and creation of green jobs. Scaling up industrial symbiosis networks is something concrete that can be done in the short term. In support, a combination of measures should be considered, including changes in waste management regulatory requirements.

## **7. Specific incentives for reducing waste (targets, pricing, fiscal, eliminating residual waste)**

Better waste management, together with a broadening of producer responsibility schemes, clear incentives at citizen level (e.g. pay-as-you-throw schemes), recycling and reuse targets would help incentivise and make profitable new business models in the circular economy. Proper setting and monitoring of waste policy should rely on robust and coherent waste statistics throughout the EU. It

should be investigated whether it would be useful to extend landfill and incineration taxes or bans (especially of recyclable and bio-degradable waste).

As a horizontal theme, further work will be needed on financial and non-financial **incentives for consumers** to use environmentally more efficient products and services, including the consideration of 'end-of-life' resource efficiency (e.g. interest free loans; tax exemptions on repair; energy performance contracting; free public transport for tourists, pay-as-you-save schemes to reduce upfront costs). Such recommendations would more likely be geared to action at local level.

## II. Setting objectives and measuring progress

The current **lead indicator** - material productivity - defined as GDP divided by domestic material consumption (DMC) has a number of problems. It does not account for the resources used for a product when it is imported; nor does it adequately reflect resource efficiency for economies with either a strong manufacturing base or those with a more service based economy. It does not convey the impact of EU consumption on the global scale. We should move towards an indicator integrating the international dimension of resource efficiency, such as GDP divided by Raw Material Consumption (RMC), when available.

The absolute RMC should also be added to **the dashboard** in order to provide information about decoupling of the economy from material use. Similarly the complementary indicators of the dashboard should cover footprint type indicators for land and carbon, in order to include the international dimension of resource efficiency. For water, footprint indicators will be considered alongside the improved Water Exploitation Index (WEI+).

**Targets** are important because they serve the purpose of focusing political attention and showing whether policy is on the right track. The Platform should task the Working Groups to make proposals on how to set targets, including in the following areas: materials, waste, water, environmental harmful subsidies and land.

Finally, indicators and targets should not only cover the environmental facet of resource efficiency but should also address economic issues such as growth and jobs.

## III. Framework conditions for investments in resource efficiency

A key horizontal issue identified is the importance of setting up the **right framework for innovation and investments**, including the full development of existing policies and initiatives, as well as the need for innovative financial instruments.

In addition, five priority themes for short term action were identified.

### 1. Environmentally harmful subsidies and the European Semester process

The identification – through Member States' reporting - and phasing out of environmentally harmful subsidies were seen as a clear priority; and the European Semester process as the best tool to encourage such developments, especially if the recommendations are sufficiently specific, precise and targeted. Areas where action could be taken include in particular company car taxation and VAT rebates for environmentally harmful products and services.

## **2. Innovative instruments to support resource efficiency in SMEs**

The potential to increase resource efficiency in SMEs is very significant, however a number of barriers prevent the full implementation of this potential. Innovative instruments are therefore needed to allow SMEs to reduce their resource use. A successful experience in Germany has demonstrated the value of putting in place resource efficiency audits targeted towards SMEs, and linking them with financing. This could be networked across the EU.

## **3. Water and waste pricing**

Water and waste pricing have been identified as key ways of improving resource efficiency in these sectors, by providing adequate incentives to resource users, and making sure that all major groups of users contribute adequately. In the case of water, a particular focus should be given to regions and countries where water is scarce or the index on water exploitation is high, and due regard should be given to the water access of people in need.

## **4. Company reporting**

In order to integrate environmental information into investment decisions, the availability, reliability and comparability of this information is crucial. Company reporting is a way of providing sustainability data to the market. Several international initiatives already provide a framework for companies to report upon, and more work is underway at EU level. It is important that resource efficiency concerns are integrated into this work.

## **5. Ecosystem services and natural capital accounting**

The integration of ecosystem services and natural capital into the accounts of countries and companies has been identified as a major way of allowing these elements into decision-making. More work is needed to develop methodologies. A pilot project with the private sector, building on existing experience, could be valuable.

## **Conclusion**

Members are invited to discuss or endorse this set of priorities at their December meeting with a view to continuing more detailed work over the winter. The Sherpas will then refine these ideas with the objective for the Platform to formulate actionable recommendations for the short term at its June 2013 meeting. Longer term issues will be discussed in the second part of the EREP mandate.