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RESOLUTION OF THE 13TH STANDING COMMITTEE

(Land Use, Environment, Environmental Assets)

(Rapporteur: Senator Puppato)

approved at the session of 19 November 2014

ON THE

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS - TOWARDS A
CIRCULAR ECONOMY: A ZERO WASTE PROGRAMME FOR EUROPE
(COM(2014) 398 FINAL) ('COMMUNITY ACT No 44')**

pursuant to Article 144(1) and (6) of the Rules of Procedure

Sent to the President's Office on 20 November 2014

The Committee,

having examined, pursuant to Article 144(1) and (6) of the Rules of Procedure, the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Towards a circular economy: A zero waste programme for Europe (COM(2014) 398 final),

issues, for matters within its remit, a favourable opinion with the following comments:

the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled 'Towards a circular economy: A zero waste programme for Europe' (COM(2014) 398) is an historic document that represents a real step change in the European Union's environmental and economic policies. Indeed, the Communication not only summarises, brings together, feeds into and thus expands upon the theme of the importance of correct waste management already initiated with the Directive on the waste hierarchy, but also expresses convictions and policy lines that refocus attention on a major issue, namely that the Union must become a recycling society as a matter of urgency;

products must be rethought and redesigned to be used longer, repaired, upgraded, remanufactured or eventually recycled, instead of being thrown away; production processes must be based more on the reusability of products and raw materials, and the restorative capacity of natural resources;

it is possible to introduce innovative business models that create a new relationship between companies and consumers, not only for the obvious environmental reasons, but also because of the simple economic need for companies to supply themselves with post-consumer raw materials within a circular approach that leaves no room for wastage or waste, but only the recovery of each individual, precious raw material.

Waste as a resource. Turning waste into a resource is part of 'closing the loop' in circular economy systems. The objectives and targets set in European legislation have been crucial drivers of improved waste management, stimulating innovation in recycling and reuse, limiting landfilling, reducing losses of resources and creating incentives for behavioural change. But in the EU we still generate five tonnes of waste per person per year on average, and little more than a third of that is effectively recycled. There is still a very wide gap of more than three tonnes per person that must be reduced over time, with the material in the waste being recovered instead. Choosing this approach will make it possible to help safeguard life on Earth and recover enormous economic resources for Europe.

Not all recycling/recovery streams are the same. For some streams, such as paper and glass, recycling is of utmost importance to packaging manufacturers since a very high percentage of new products are made using separately collected waste as a raw material (closed-loop streams). For such products, the incentives for packaging manufacturers and for waste recovery firms can, at least in theory, be reconciled. However, for other streams, such as plastic, this percentage is structurally lower as compared to the amount of new products manufactured using 'virgin plastic'. Indeed, the Italian Competition Authority ('the Authority') has previously suggested that the role of the system of waste recovery associations be re-examined, taking account of the differences between the various streams. In particular, the

case launched by the Authority in July 2014 in the plastic sector would appear to indicate that, for open-loop streams, the current system of governance centred around waste recovery associations can lead to incentives that are excessively skewed towards manufacturers of virgin raw materials, e.g. by favouring energy recovery from recycled waste rather than recycling. The experience accumulated by the Authority when enforcing competition rules and the knowledge gained concerning the main problems that have arisen as regards the organisation and operation of the waste recovery associations would suggest that it is high time to put in place a system in which associations play an ancillary role. Such a role would specifically concern the recovery of materials with the lowest recyclability rates, i.e. those cases where market forces, which should otherwise be given free rein, do not ensure achievement of the environmental protection targets of public importance. One possible solution that would reconcile the requirement to respect the principles of competition and the need to ensure that public service requirements are met would be to restructure the association-based system towards a model where associations are the last resort and operate only on those markets and in those stages of the stream where the introduction of competitive forces is not enough to ensure that the crucial requirements of safeguarding the environment and public health can be fully met.

Critical raw materials. In June 2010, the European Commission published a report establishing a methodology for identifying the raw materials deemed critical for the European Union, assessing their economic importance, supply risk (geopolitical stability) and 'environmental country risk' for the exporting country. The report thus established a list of 14 critical raw materials (antimony, beryllium, cobalt, fluorspar, gallium, germanium, graphite, indium, magnesium, niobium, platinum group metals, rare earths, tantalum and tungsten), to which can be added some nearly critical raw materials (rhenium, tellurium, hafnium, selenium and tin), as well as wood and natural rubber. The assessment was based on a quantitative methodology that used the criteria of economic importance, supply risk and environmental risk in the source countries. The list of critical raw materials has proven successful as a tool for attracting the attention of policy-makers, promoting co-ordination of national policies regarding mineral supply and critical materials, challenging measures distorting trade in critical raw materials, analysing the functioning of the markets, promoting research (exploration, substitution, recycling) and access to deposits in the EU, addressing problems of illegal exports of end-of-life products containing critical materials and adopting measures for specific materials. In the 2011 communication, the Commission formally adopted the list and proposed that it would monitor the issues of critical raw materials to identify priority actions examine them with Member States and stakeholders and regularly update the list of critical raw materials at least every three years.

A target for resource efficiency is needed. In the 7th Environmental Action Plan, Member States and the European Parliament agreed that the European Union should establish indicators and set targets for resource efficiency, and assess whether it would be appropriate to include a key indicator and target in the European Semester. Following wide consultations, resource productivity, as measured by GDP relative to Raw Material Consumption (RMC), has been identified as a candidate for a resource productivity target. RMC is an aggregate indicator measuring in tonnes all the material resources used in the economy, while taking into account the resource use embedded in imports. Currently it is available for the European Union and some Member States. Italy has to determine its RMC and use it to make an informed decision to pursue raw material recovery and incentivise the reintegration of raw materials into production cycles. Stakeholders preferred RMC as a measure of resource use because it captures the resource use embedded in both imported and domestically produced products, and so allows for a fair comparison of their respective resource efficiency. The

illustrative value of this indicator is borne out by the recent studies showing that energy and raw materials are the main input costs. In the steel and aluminium sector, raw materials alone account for 30% to 40% of total costs, i.e. a greater share even than labour costs.

The European Resource Efficiency Platform. It is estimated that compulsory application of measures aimed at reducing raw material waste would make it possible for the European Union to independently satisfy between 10% and 40% of its raw material needs. Added to an increase in resource productivity, this could reduce purchases on international markets by around €30 billion annually, increasing the Union's GDP by up to 3.9%. At the same time, this would help to meet the greenhouse gas reduction target of 40%, which the EU has undertaken to achieve by 2030, and which would be the equivalent of a reduction of 62 million tonnes of carbon dioxide a year. It has been calculated that reducing waste and limiting the growing insecurity of supply and economic pressure on increasingly rare resources will create at least two million new jobs by 2030 through green employment and the Green Action Plan for SMEs. This includes 180 000 direct jobs and more than 400 000 indirect ones through the correct recovery of waste as already provided for by the rules in force. The advance of the BRICS (Brazil, Russia, India, China and South Africa) on the world economy heralds a scenario where raw materials will not only be less easily available, but also more expensive, thus contributing further to the ongoing major development of those countries. The real, tangible risk of losing autonomy of supply at acceptable prices that are competitive for Europe thus make it necessary to re-examine all policies on raw materials transformed into products. It is thus necessary for Italy to have, at the production stage, a market in by-products and secondary raw materials, with supply rules that give a clear and transparent national framework of opportunities and costs. Meanwhile, at the distribution stage, Italy must put in place the 'product passports' envisaged by the Platform, aimed at giving information on the resources contained in each individual product and how they can be repaired/recycled. What is more, this new approach would appear to render incineration plants obsolete. Irrespective of the debate as whether or not such plants are polluters, we will need materials and will not be able to burn things today that will no longer be available tomorrow. The fact that incinerators make only a meagre energy contribution to the system also gives food for thought. Indeed, the data from the Regional Environmental Protection Agencies are very telling: net energy recovery does not exceed 15% of the energy contained in the waste. In Italy, landfilling and the incineration of recoverable material must not be allowed to receive any form of counter-productive subsidy. It is also crucial that the pressure of taxation be shifted away from work towards pollution and the use of virgin resources. Indeed, economic measures have proved instrumental in improving national waste management, in particular increasing landfill and incineration taxes, pay-as-you-throw and extended producer responsibility schemes, as well as incentives for local authorities to promote prevention, reuse and recycling.

Responsibility in design and production. A circular economy can only be based on the assumption that the entire cycle, i.e. including design and production, take proper account of the reuse and recycling of goods to be placed on the market. This applies to the design of buildings (as already stated in the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on resource efficiency opportunities in the building sector (COM(2014) 445 final of 1 July 2014), to the packaging sector (by adopting the extended producer responsibility scheme), and to better design of plastic materials to ensure that they are sufficiently productive and prevent them being landfilled or incinerated owing to poor quality.

What can politics do? In all the areas mentioned, regulatory intervention is possible through minor legislative measures creating tax disadvantages for non-recyclable goods and, in particular, through a green tax on 'throwaway' goods, with the aim of progressively reducing their quantity (except for hygiene/sanitary products only) and classing planned obsolescence as fraud against consumers. It is also necessary for there to be broader legislative measures aimed at:

1) increasing the percentage of construction and demolition waste recycling, discouraging landfilling in every way possible;

2) increasing to 50%, as envisaged in the Milan Protocol for Expo 2015, the reduction in foodstuffs lost or wasted, through the last-minute market and promotion of an appropriate food culture in social and health terms;

3) supporting, at international level, the complete elimination of opportunities for financial speculation on food raw materials (known as 'food commodities'), such as futures or other mechanisms that produce an artificial system of inflating international prices;

4) improving the management of hazardous waste by adopting traceability systems, eliminating overlapping, simplifying data recording and cutting red tape for SMEs;

5) applying derogations for the transport of waste when it is aimed at recovery. It would be very beneficial for recycling if it could be made clear that bringing waste to public service points and areas would not be considered transport, including when trips to eco-centres are carried out by small-scale producers themselves;

6) implementing separate collection of organic waste, carrying out composting of various types and setting a target of 70% wet waste recycling in Italy by 2020. This will be done by deploying the European funds available for financing circular economy programmes and projects, namely tools, investments and innovation, and thus helping reduce one of the main sources of groundwater pollution. Transition to a more circular economy requires changes throughout value chains, from product design to new business and market models, from new ways of turning waste into a resource to new modes of consumer behaviour. This implies full systemic change, and innovation not only in technologies, but also in organisation, society, finance methods and policies. An important example of better, more effective public procurement is the concept of pre-commercial procurement, as well as compliance with the target of 50% green procurement by 2020, thereby encouraging the creation of networks of public authorities on the issue of green public procurement.

Measuring the environmental impact. During the current pilot phase of the process, which will last until 2016 and is aimed at finding common indicators for measuring the environmental impact of every product and organisation, reliable data which can be objectively measured will not yet be available. After the pilot phase, the Commission will assess whether these methods are successful enough to be applied in existing or new instruments to improve the environmental performance of products and keep citizen-consumers properly informed. In any case, the launch of policies capable of removing the barriers to a virtuous system is becoming more urgent by the day. The watchwords are leaving a lighter footprint, giving products longer lifespans and thus making them more durable, increasing efficiency, substituting materials that are hazardous or hard to recycle, creating markets for secondary raw materials, devising products that are easy to maintain and repair, fostering eco-compatible design and encouraging recycling and reuse in every way.

Worldwide pressure on the environment implies another two important indicators of appropriate, respectful, sustainable and efficient use of resources, namely consumption of water and of land, which are finite resources that must be monitored and safeguarded.