



**THE IPP GREEN PAPER:
LAUNCHING THE STAKEHOLDER DEBATE**

**WORKING GROUPS 1 – 6
Background Papers**

BORSCHETTE CONFERENCE CENTRE
Brussels
8-9th March 2001

Working Group I - The Role of Economic Instruments in IPP.....	2
Working Group II - The Greening of Public Procurement	4
Working Group III - Standardisation and the New Approach	6
Working Group IV - Environmental Labelling	9
Working Group V - Eco Design and LCA	12
Working Group VI - IPP and Product panels: ensuring effective stakeholder involvement.....	15

Working Group I - The Role of Economic Instruments in IPP

Chair: Manfred Marsmann (German Industry Federation)

The working group shall focus on section 4.1 of the IPP green paper.

Background

The environmental performance of products can be optimised by market forces if the market reflects the true environmental costs of products during their life cycle. However, this is not always the case and there are market failures (“external costs”), in other words, products and their users may profit from a “free lunch” by causing environmental impacts without paying for them. If producers reduce the environmental impacts of their products and consequently the environmental costs society has to bear as a whole, it only seems fair that they should profit from a preferential treatment as regards taxation, state aids etc.

Ideally, prices should internalise all external costs. As a result, the market would decide on optimising the environmental performance of products and no further measures would be necessary. Unfortunately, it is not a straightforward exercise to determine the external costs associated with each product in each case. Furthermore, it is not easy to design broadly accepted policy measures to correct such market failures.

In spite of these difficulties, it seems that more radical changes of the environmental performance of products are only possible if the difference is reflected in product prices and consumers’ pockets. Therefore, it seems important to keep working on these economic instruments.

As a first step, the Commission intends to undertake a study on the differences in external costs between comparable products on the basis of case studies to allow better argumentation.

In parallel, the discussion on possible measures shall be started:

Differentiated taxation would allow those products which cause less environmental costs to society to profit from lower tax rates. As it will be impossible to determine the true environmental cost on each product simple criteria are needed to distinguish between green and less green products which avoid a high administrative burden and disputes whether a product may profit from a lower tax rate or not. The clearest criterion in this respect is whether a product bears the European eco-label or not. The limitation to the European label would be necessary in order to avoid distortion of competition within the Internal Market. A measure which could be investigated within the framework of the New VAT strategy would be to allow Member States to apply reduced VAT rates on products bearing the European eco-label. This is certainly only a small first step but could be a significant boost to the eco-labelling process and to creating incentives for the greening of products. Nevertheless there is a need to consider the legal constraints imposed by the Community VAT system.

Also, other economic instruments such as environmental taxes and charges, tradeable permits etc. could offer interesting options.

The concept of producer responsibility relates to the integration of costs occurring once the product has been sold into the price of new products. This mechanism has been applied on a Community level for the Directive on End-of-Life Vehicles and for the Commission proposal for a Directive on Waste Electrical and Electronic Equipment. On the basis of an evaluation of the effectiveness of this approach, it is envisaged to extend the use of this concept to other waste streams in the framework of the Thematic Strategy on Recycling proposed under the 6th Environmental Action Programme. Another instrument that could be further investigated in this context is the use of deposit-refund systems.

The use of state aid for environmental purposes is mainly a domain for Member States. The Commission will apply the new Guidelines on State Aid for Environmental Protection in evaluating the conformity with Community legislation.

Finally, the planned Directive on Environmental Liability should also give strong incentives to prevent environmental damages, including those linked to the life cycle of products.

The following questions could be considered by the working group:

- *What is the state of knowledge about market failures in relation to the environmental impacts of products? What studies are available?*
- *What experiences have been made with differentiated taxation, state aid and the producer responsibility concept (at all levels of government)?*
- *Would a reduced VAT rate on eco-labelled products significantly encourage greener products? Are there existing examples of such or similar measures?*
- *Are there other ideas/examples for the use of differentiated taxes and charges, tradeable permits etc. to favour the greening of products?*
- *In what further areas could the producer responsibility concept be usefully applied?*
- *Are there particular issues to be taken into account in applying the Guidelines on State Aid for Environmental Protection or in preparing the Directive on environmental liability?*

Working Group II - The Greening of Public Procurement

Chair: Geraldine Plas, ICLEI

The working group shall focus on section 4.2.2 of the IPP green paper.

1) Existing public procurement legislation

Background

Public procurement represents 12 % of EU GDP on average, but can be as much as 19% in some Member States, for example France. Given the purchasing power of public authorities, an increased demand for green products will have a substantial effect on the market of environmentally friendly products and will provide an incentive for industry to increase their production of green products.

The EU public procurement rules are of an essentially economic nature but have also to be seen in the light of the sustainability requirement of Art. 2 of the EC Treaty. Above a certain threshold in terms of monetary value of the contract European Directives apply. They contain specific obligations and procedures, offering, on the one hand, numerous possibilities to take into account environmental considerations in public purchases, but, on the other hand, they could, in certain cases, limit the differentiation in favour of more environmentally sound products or services. Below the thresholds, public procurement rules are not harmonised, which means that purchasers have more leeway to give preference to green products, while observing other applicable provisions of the Treaty.

In the framework of Integrated Product Policy, there should be both reflections on whether and how existing procurement legislation could be improved (in the longer term) and how the existing rules can be optimised to encourage the greening of products while respecting Community law.

With respect to a possible revision of procurement legislation, the Commission will look, inter alia, at the feasibility of promoting green purchasing by introducing an obligation to carry out, before purchasing, an assessment of the environmental impact of the different alternatives available that meet the needs of the contracting authorities.

On the interpretation of existing legislation, the Commission will adopt an Interpretative Communication on Public Procurement and Environment. This Communication will address the question to what extent it would be possible to require the use of a specific production process or to take into consideration all costs incurred during the whole life cycle of a product. A handbook and/or a communication on Green Public Procurement with examples on how to draw up green calls for tenders in conformity with EU law is also under consideration.

What is the state of knowledge about the potential impact of green public procurement on the market? Which product groups will be most affected?

What obstacles, whether legal or practical, need to be overcome in order to “green” public procurement?

How can greening of public procurement be combined with ecolabels, environmental management systems, etc.?

Where could existing procurement rules be improved to better allow preference for greener products while maintaining the economic purpose of procurement rules (fair competition, cost savings for taxpayers etc.)?

What could an environmental impact assessment of alternative products in the context of public procurement look like? How could such an assessment be made simple and manageable?

How are SMEs affected by “green” public procurement?

2) Information exchange and promotion of green public procurement

Beyond the legal framework, it is essential to intensify the information exchange between public procurement authorities and to draw their attention to existing experiences. Such an exchange could be organised via internet, indeed some local schemes are already in operation. In order to facilitate the access to product criteria for the call for tenders this could comprise, inter alia, a network to exchange best practice of databases of eco-product criteria for public authorities might be discussed, based on existing initiatives in Member States and on the existing EU eco-label criteria.

What initiatives to exchange best practice with regard to “green” public procurement exist already? What is the experience with such initiatives?

What is needed to complement such existing exchanges in terms of additional or alternative structures, research into criteria, dialogue with suppliers and how could new initiatives fit in to promote “green” public procurement?

Working Group III - Standardisation and the New Approach

Chair: Christian Hey (European Environment Bureau)

The working group shall focus on section 4.3.3. of the IPP green paper.

1) Standardisation in general

Background

Product standards play a major role in determining the design of products, including their environmental performance. Some are applied without a legislative background, some are in support of regulation. Today product certification in accordance with a specific European standard confirms "fitness for use" and "safety for the user". It is desirable that in the future the idea of "environmental soundness" is also associated systematically with products conforming to the specifications in a European standard.

Beyond formal standards, alternative forms of consensus (e.g. Workshop Agreements) have been developed by CEN to find answers to quickly evolving market needs or less stable innovations.

So far, the main approaches to integrate environmental concerns into standards have been an open invitation to environmental organisations to participate in the meetings of the standardising bodies and the creation of an environmental help desk. There are also plans by the European Commission to make more financial resources available to set up structures that should allow a more systematic representation of environmental interests in the standardisation process.

The following questions could be considered by the working group:

- *What should be the role of the environmental help desk?*
- *Funding questions aside¹, what additional mechanisms can be developed to integrate systematically environmental characteristics into product standards?*

2) The New Approach

Background

New Approach directives are total harmonisation measures that define binding essential requirements. Producers are free to choose the means by which they demonstrate that products comply with the essential requirements. One way of doing so is by applying "harmonised standards" developed by CEN, CENELEC and ETSI following a mandate of the Commission. Compliance with these harmonised standards indicates conformity with the relevant legislation and allows the product to circulate freely within the Internal Market.

The New Approach has so far been applied mainly for the more traditional fields of standardisation, i.e. for "fitness for use" and for "safety of the users". The only New Approach directive specifically focused on environmental issues is the Packaging

¹ Obviously, the limits of possible funding depend on the available budget.

Directive². The main question put to the working group is how the New Approach can be optimally used for the purpose of achieving progress in the environmental performance of products. It seems particularly important to evaluate the experience of the Packaging Directive and draw the lessons for possible future initiatives.

In particular, three observations seem pertinent in this respect:

- The essential requirements should be defined in a clearer way than it was the case in the Packaging Directive
- Decisions which are difficult to take, even by political bodies, should not be transferred to standardisation bodies. Hence, there may be a need to keep political questions on a political level.
- It is difficult to prepare eco-design standards which give clear yes/no decisions on whether a product conforms with essential requirements of a directive or not.

Nevertheless, the Commission considers that the potential of the New Approach technique to encourage eco-design is worth exploring, inter alia in a draft proposal for a Directive on electrical and electronic equipment. Compared to the experience of the Packaging Directive, substantial improvements will be necessary. Annex II of the Green Paper on Integrated Product Policy puts to the discussion a number of options, which can be shortly summarised as follows:

1. Focusing essential requirements and standards on requirements related to the process of eco-design (design guidelines, elements from management systems etc.) which are verified by enforcement authorities. Instead of determining whether a product conforms or not, options should be identified to improve the environmental performance of products. These options should first be discussed with the producer. If there is no appropriate follow-up, public authorities could be involved later on to find suitable solutions.
2. The use of “New Deliverables” such as workshop agreements could speed up the adaptation of product design to the latest available techniques for eco-design.
3. Eco-label criteria could be used to indicate conformity.
4. In spite of the general difficulties of defining criteria giving a clear yes/no distinction of conformity, it may be possible to identify certain key performance indicators that would allow such a distinction in certain cases.
5. The above options could also be combined.

The following questions could be considered by the working group:

- *Do you agree with the above assessment of the experience with the Packaging Directive?*
- *Is the idea of the New Approach as such worth pursuing in the context of the environmental design of products? Can the New Approach promote good*

² Directive 94/62/EC on Packaging and Packaging Waste

environmental performance in general? What are the pros and cons regarding the New Approach?

- *How should any future initiatives use the New Approach? – This discussion should be oriented along the lines of options in Annex II of the Green Paper and summarised above. Are there any further options to be considered?*

Working Group IV - Environmental Labelling

Chair: Bernard Mazijn (Belgian Federal Department of the Environment)

Environmental Labelling

Background:

Consumers can make the difference through buying greener products. Their demand for environmentally friendly products is the major driving force for companies to reflect upon ways to green their products to strengthen their environmental efforts and improve the life cycle performance of their products and services.

To choose those products with lower environmental impact, consumers however need to be informed about their environmental quality. Consequently, they need easy access to understandable, relevant, credible information either through labelling on the product or from another readily accessible source (e.g. consumer and environmental NGOs, websites, public authorities).

Current situation

Information about product characteristics is available in different forms and from different sources, including 3rd party verified eco-labels, claims made by the producer or distributor, and information from consumer organisations. However, currently the main source of consumer information is 3rd party verified eco-labels and often uncontrolled self-declared environmental claims. To alleviate this situation, a broader more integrated approach of environmental information is necessary.

Environmental labelling

ISO has already developed a framework of distinct types of environmental labelling. Clarity on label types promotes comparability and may promote progression from one label type to another.

- **Product information on the product through 3rd party verified product labels,** (Type I ISO), like the European eco-label, is available for a range of product categories. Eco-labels, whether at national or EU level, are a reference of environmental excellence among products on the market while guaranteeing a minimal good quality. Hence they constitute in a credible, transparent way, a threshold for distinguishing the more environmentally friendly products from less environmentally friendly ones. Other products are measured against this high standard in a given category. Therefore, their scope should be extended to cover as many products as possible, targeting those product categories for which they are likely to be most effective. However, these schemes are complex and have not yet used their full potential to influence the market.

Clear objectives should be established to identify the situations where eco-labels are likely to be most effective. Ways should be explored how to improve their impact on the market and on consumer behaviour and how to make best use of

existing product information and expertise provided by the eco-labelling bodies for a broader strategy.

- **ISO Type II environmental labelling** (self-declared environmental claims) is made without independent 3rd party certification, by manufacturers, importers, distributors, retailers or anyone else likely to benefit from such a claim. These environmental claims can contribute to stimulate consumers demand for environmentally preferable products and to increase market share for these products. A lot of environmental information on products is presented in this form. This proliferation of self-declared claims (in the form of a symbol, wordings or other, even subliminal) leads to confusion with the consumers who might even lose credibility in all claims and even 3rd party certified labels. Therefore some form of verification or monitoring has to be established to prevent misleading claims and to encourage good ones. Guidelines for making and assessing environmental claims based on the ISO 14021, 1999 could be very useful.

Clear objectives should be established to identify the criteria, where environmental claims are likely to be most effective to stimulate greener demand. Ways should be explored to improve the credibility of these information instruments

- **Product environmental declarations in line with ISO Type III** are quantified environmental data on all significant impacts based on procedures and results from a life cycle study with additional relevant information e.g. on environmental management systems or social aspects, if appropriate. They are still scarce on the market but are beginning to come into use, especially in business to business communication.

Clear objectives should be established to identify criteria, where product declarations are likely to be most effective to stimulate consumers demand for greener products.

Other Forms of Environmental Product Information

- **Mandatory labels** (multi or single issue) like the EU energy label can also help consumers to find and choose those products with lower environmental impact.
- **User Information** which provides instructions on how to use or dispose of the product in a way which reduces its environmental impact exist in a variety of forms, e.g. manuals, codes. For EU eco-label products, information on the correct use to minimise their environmental impact is often a key requirement, wherever appropriate.

How can environmental labelling best contribute to IPP?

- *Which ISO Types of labels are most appropriate? What should be the objectives of each Type of label? Can they be complementary?*
- *How could the impact of existing Type I labels be improved?*
- *How best could Type II and III environmental labels inspire consumer confidence?*
- *Should there be a role for other types of label, such as energy labelling and single-issue labels? If so, what should it be?*
- *How can consumers be encouraged through product information to make their use of products more environmental?*
- *How can other instruments within IPP promote the benefits of environmental labelling?*

Working Group V - Eco Design and LCA

Chair: Chris Ryan (IIIEE)

The working group shall focus on sections 4.3.1 and 4.3.2 of the IPP green paper.

1) Product information

In order to improve the life cycle environmental performance of a product, it is necessary to understand it. Therefore, the availability of information on the environmental impacts of products is crucial. Such information can be assembled in Life Cycle Inventories (LCIs) and interpreted in Life Cycle Analyses (LCAs). However, the value of this information depends on its quality and relevance to the user's needs.

An evaluation of the environmental performance of products should be based as far as reasonably possible on a full analysis of life cycle impacts. Furthermore, it will be necessary to develop a good understanding of driving forces, the degree of certainty of data and the relationship with non-environmental factors, which could be the essence of such a life cycle thinking. This life cycle thinking should become the rule throughout the economy and also in policy making.

The first main question therefore is how the availability of high quality life cycle data can be improved. Much information has been gathered and exists in various formats, partly commercially confidential, partly publicly available. To a certain extent, there also seem to be disparities in the data depending on different underlying assumptions. This sometimes makes data difficult to compare in detail. The aim of Integrated Product Policy, as suggested in the Green Paper, would be to find ways and means of linking existing data, filling gaps and bringing as much information as possible into the public domain. This should build on existing initiatives.

The second main question is how tools can be developed and made available to allow small and medium-sized enterprises a fast and rough check of their products' environmental performance. As SMEs cannot be expected to conduct full life-cycle analyses, they need easily available and applicable tools adapted to their needs.

Finally, the question of how life cycle information could be best used to improve the environmental performance of products and to influence consumers' choices should be addressed. A possible instrument to increase the generation and availability of information is to oblige and/or encourage producers to supply key data along the product chain and to consumers. The energy star scheme as well as the Supply Chain Management initiative of EICTA (European Information and Communications Technology Industry Association) and the International Material Data System (IMDS) in the automotive sector might serve as examples.

The following questions could be considered by the working group:

- *What is the state of knowledge as regards the quality and availability of life cycle data? What needs to be done to improve this situation?*
- *How can existing data be collated and made available as a reference for life cycle thinking in companies?*

- *What kind of LCA data is needed to guarantee a sufficient level of reliability?*
- *How can we make existing life-cycle data more publicly useful as a general tool for companies?*
- *What examples exist for tools allowing an easy and fast check of the environmental performance of products? What is needed to improve such life cycle oriented tools as regards quality and easy applicability? How should they be made available and diffused? How can SMEs be encouraged to use such tools?*
- *What kind of useful information flows can be established between agents in product chains and finally to the consumer?*

2) Eco-design guidelines

Eco-design guidelines could be particularly effective in promoting life cycle thinking and influencing design. However, such guidelines must take into account the complexity and the diversity of products and their impacts.

Design guidelines typically address the following issues:

- design for cleaner production and use (e.g. source reduction, leading to reduced mass, less wastes, minimal energy consumption);
- design for reduction/substitution; (e.g. hazardous, toxic or otherwise environmentally unfriendly materials, in the product or in accompanying consumption);
- design for the use of renewable materials;
- design for durability (e.g. reparability, maintainability);
- design for longevity; (e.g. upgradability; classic design, accommodation of future needs);
- design for extended function (e.g. multifunctionality, modularity);
- design for reuse and recycling (e.g. simple disassembly, reduced material complexity, use of recyclable and recycled materials; component recovery through closed loop re-manufacturing and secondary applications);
- design for simplicity (i.e. it should lead to lower manufacturing costs, lower material mass, greater durability, easier disassembly for maintenance or asset recovery).

A major challenge is to develop an understanding of the appropriateness and use of particular guidelines.

The following questions could be considered by the working group:

:

- *What is the state of knowledge as regards the quality and availability of eco-design guidelines?*
- *Can general guidelines for eco-design be a value for companies? What type of guidelines is needed?*
- *How can general guidelines be laid out so that they can be applied appropriately for good environmental outcomes?*
- *How can the Community contribute to the development, dissemination and application of appropriate and useful eco-design efforts?*
- *What are the driving forces for users (enterprises and designers) to use eco-guidelines?*
- *What can be done to make environmental aspects and functionality key considerations while designing a product?*
- *What are the sectors/products most suitable for "green" design?*
- *How can eco-design be integrated in ongoing and future Community initiatives?*

Generally it may even be a good idea to move from a product to a service-focus at some point, as the limitations of product orientation are well known. Consequently, a future strategy may have to take into account the potential for dematerialising products and replacing them with services. So far, these concepts have been discussed extensively in theory. However, concrete examples of how such an approach might be implemented are still rare.

The following questions could be considered by the working group:

- *How can society move beyond theory into real applications of dematerialization and testing research?*

Working Group VI - IPP and Product panels: ensuring effective stakeholder involvement

Chair: Bjarne Petersen (Danish Consumer Council)

The working group will focus on section 3 and 4.3.4 of the IPP Green Paper

1) Stakeholder participation in general

Background

The Green Paper is the first step towards a European-wide, holistic strategy to strengthen and refocus product-related environmental policies. Integrated Product Policy (IPP)'s key objective is to promote sustainable production and consumption by improving the environmental performance of goods and services throughout the entire life of the product.³ This conference marks the launch of the public discussion of the Green Paper's proposed strategy and its elements.

Integrated Product Policy has three overarching goals: to stimulate the demand for greener products; to stimulate the supply of green products; and by getting the prices right. Strong stakeholder co-operation and action from businesses, consumers and public authorities is needed to achieve these goals by identifying eco-efficient solutions for product development and implementing many of the initiatives in the IPP strategy (better labelling of goods, the greening of public procurement, etc.)

In addition to this conference, a series of meetings will be organised in the next few months focussing on the technical aspects of the main themes of the IPP Green Paper (product panels, economic instruments, public procurement, eco-design, etc.) Experts from stakeholder organisations will be invited to participate. How to ensure effective and representative stakeholder input into policy making will be discussed at each meeting.

This working group will be discussing how meaningful and inclusive stakeholder participation can be used in developing and implementing the IPP strategy, and in particular the proposed product panels. A report on this conference and the topic meetings will be posted on the IPP website - (www.europa.eu.int/comm/environment/ipp/home.htm). Feedback on developments and on the consultation process will be welcomed.

The following questions could be considered by the working group:

Who are the stakeholders? The Green Paper identifies consumers, non-governmental organisations, industry and retailers as the key ones. Should others be included? How should they be chosen?

³ From mining of raw materials to production, distribution, use and waste management.

How can an adequate balance of stakeholders' views be guaranteed? How do we address the structural inequity between stakeholders? (i.e industry and lobby groups, consumer groups, ngos, etc.)

How can the involvement of democratic institutions, such as the European Parliament, be ensured?

The success of IPP depends on action by stakeholders. How do we ensure their involvement, raise their interest and encourage them to take responsibility for implementation of IPP? What tools and/or incentives could be used in this regard? (Increasing the number of interested parties can improve the legitimacy and accountability but can make the process longer and more difficult to reach consensus.)

How can stakeholder participation be improved in the definition of the IPP strategy and its various elements, including the new Approach?

How can existing experiences be brought into the Commission work on IPP?

What should be the Commission's role and responsibility in ensuring effective stakeholder involvement in IPP? (e.g. exchange of best practice, web-site)

2) Product Panels

In the sense of the Green Paper on IPP, a product panel is a group of key stakeholders working together on specific product related environmental problems. In order to make the work of such panels most successful, the following elements should be fulfilled in the Commission's views:

- The panel should start on the basis of an appropriate analysis to guarantee a common understanding of the issues to be discussed (not necessarily perfect but enough to launch the debate and allow later refinement)
- The panel should be given clear objectives and measurable targets
- The panel should be limited in time (maximum one year) after which a clear result (conclusions and action calendar) should be established.

By contrast, the idea is to remain flexible as regards the structure and the degree of involvement of public authorities. The action to be taken could be industry initiatives, environmental agreements (for Community agreements, work still needs to be done to create an appropriate legal framework) and/or legislative action. It is very important that an appropriate involvement of the democratic institutions such as the European Parliament and the Council can be found.

The idea of product panels follows the pioneering work of Denmark in the fields of electronics, textiles and transport sectors. Community panels will, however, not be necessarily confined to following exactly the same approaches. Generally, the current ideas are rather to address more specific questions. The wider use of product panels

will need careful consideration of many questions and the development of practical experience. For this purpose, the Commission intends to use the feedback from stakeholders during this workshop as well as the practical experience from similar initiatives. It is intended to launch one or two pilot projects this year but no decision has been taken about which pilot projects should be set up. However, the choice of panels should be based on areas where there is both a significant potential for environmental improvement and a realistic chance that this can be achieved through product panels.

The following questions could be considered by the working group:

What is the state of knowledge about product panels or similar initiatives of dialogue with business and other actors?

Product panels could be one way to bring stakeholders together to develop practical product solutions. Do you think product panels are a practical way forward at the Community, National and/or Regional level? Or should other alternatives be considered to achieve more innovative and radical solutions?

How can product panels be organised in practice? (e.g. membership, who should run them, how transparent should they be, etc.)

Which are the product sectors with the most potential to contribute to the reduction of priority impacts (as identified in the 6th EAP – tackling climate change, sustainable use of national resources and management of wastes, health and the environment etc.)?

Which products and which product-related questions would be suitable for the Commission pilot products?