

UK ideas for a new Circular Economy package

Introduction

The United Kingdom and other Member States have been invited by the Latvian Presidency and the European Commission to provide ideas to assist the Commission's thinking as it considers new and more ambitious proposals to promote the circular economy.

The United Kingdom welcomes this opportunity to play a constructive part in this process and this paper is intended to set out some preliminary ideas to stimulate discussion on the measures we believe are necessary to develop and enable a more circular economy. A framework for actions is needed to ensure that the actions proposed are complementary to the goals, focused on increasing resource efficiency by moving materials up the waste hierarchy and reducing reliance on virgin materials. The aim is to minimise the risk that measures taken to address one part of the circle could have an unintended and adverse effect on another part of the circle, which could hinder progress to moving towards a more circular economy.

To begin with, we set out some general thoughts below, including our view that last year's Communication "Towards a circular economy: A zero waste programme for Europe"¹ (the Communication) provides a useful foundation on which to build a more ambitious proposal. We feel that the guiding considerations for the development of more ambitious proposals should be to:

- 1) Seek greater resource efficiency, reduce reliance on virgin materials and keep materials in circulation;
- 2) Reduce complexity and ensure that measures are complementary not contradictory or duplicative;
- 3) Adopt a holistic approach to developing the new circular economy package as a whole - the impact of waste prevention actions needs to be taken into account in considering the "waste part of the circle";
- 4) Maintain the integrity of the EU single market and support measures to deliver growth and innovation, avoiding and where appropriate reducing burdens on business, especially SMEs;
- 5) Respect the principles of subsidiarity and proportionality but also recognise when EU action is needed, to provide long term visions, harmonise policy frameworks where needed and ensure exchanges of best practice - **essentially to create enablers at EU level**, but to also;
- 6) **Allow Member States freedom** to act in the most economically and environmentally advantageous way².

The following ideas for measures to achieve these high level goals are ones we would want to see examined in the context of these considerations. They are drawn from our own thinking, from our discussions with a range of stakeholders and with other Member States and Commission officials.

¹ 11592/14 of 4 July 2014

² As reflected in both the July 2014 Communication and the October 2014 Council Conclusions

General Thoughts

The UK Government previously had concerns about the potential lack of alignment between some of the proposed measures outlined in the Communication and the related legislative proposals to amend existing waste legislation, including in the related Impact Assessment. For example, there were concerns that the potential for conflicts or interactions between some of the proposed waste measures had not been properly examined, and might possibly have an adverse effect on actions being taken to increase waste prevention. These concerns and others were shared by a number of Member States.

The UK welcomed much of what was put forward in the Communication by the Commission to provide the means to enable the EU as a whole to transition to a more circular economy. Many of the measures being proposed are similar to actions we are already taking. We believe they provide a useful starting point and framework for further ideas. For example, on the role of design and innovation; unlocking investment and harnessing action by business and consumers. We also welcomed proposals to reduce unnecessary burdens on SMEs, especially removing the obligation on SMEs to register to carry their own low-risk waste.

In addition, we would also refer, in this regard, to the Council Conclusions on Greening the European Semester and the Europe 2020 Strategy – Mid-term review³. These Conclusions highlighted the economic benefits of moving to a more circular economy (growth and jobs⁴) and made it clear that long term sustainable growth is compatible with improving the environment and making better use of resources. Those Conclusions also echoed much of what was in the Communication by way of measures to achieve these two equally important aims (see, in particular, Paragraph 3 of the Council Conclusions).

Some Preliminary Ideas for a New Proposal

The types of measures set out below should not be seen as agreed UK policy but rather be viewed as constructive ideas intended to stimulate debate on what activities might best be pursued at an EU level. Measures considered should be tested against the guiding considerations identified above. We believe that actions focused on design and innovation; smarter regulation; overcoming barriers to recycling and re-use (including how waste is defined and regulated); exploring how we can stimulate new business models; and the scope for public procurement, in partnership with private sector buyers, to stimulate the market for remanufactured/reused goods, offer real potential for collective action by Member States.

- 1) **Establishing an enabling policy framework** – As in the Communication, this should combine smarter regulation, market-based instruments, research and innovation, incentives, measures of performance, information exchange and support for voluntary approaches.
- 2) **Design and innovation** - including:
 - **More coherent product policy:** by consolidating and ensuring consistency among existing instruments (e.g. ecodesign, ecolabel) and closing loopholes.
 - Create incentives and remove regulatory barriers for **innovative business models:** for example Product Service Systems (PSS)⁵, in which high turn-over products are leased rather than sold; Industrial Symbiosis, in which one business' waste is another's resource; guidance to encourage and streamline Extended Producer Responsibility schemes.

³ Environment Council 28 October 2014

⁴ WRAP & Green Alliance (2015), *Employment and the Circular Economy* <http://www.wrap.org.uk/content/employment-and-circular-economy>

⁵ We are funding a pilot project trialling a PSS project involving baby equipment

- **Better, more sustainable, design** which promotes growth in the reparability and re-use sector, and increases the use of recycled materials through: developing EU guidance; examining where the barriers to collaboration sit and how these might be addressed; and raising awareness through training and education⁶.
- **Promote circular innovation through collaborative R&D.** We have been working with DG Research and Innovation to identify opportunities for this through programmes such as Horizon 2020. We would welcome the opportunity to share further learning⁷.

3) Harnessing action by business and consumers and supporting SMEs

Better information has a key role to play:

- Establish a European network to exchange good practice, standardise approaches and develop guidance, e.g. on life cycle costing methodologies and use of labels;
- Informative instruments and networking tools for the manufacturing base to understand material flows;
- Guidelines to encourage collaboration across businesses without breaching EU competition rules (e.g. to allow for collaboration in the pre-competitive space), to help facilitate action on Voluntary Agreements⁸.
- Preventing unnecessary burdens on SME's is key: we should take risk-based approaches to new burdens, seek to reduce burdens where possible and simplify reporting.

4) Modernising waste policy: waste as a resource

We believe that targets should only be proposed when there is clear and robust evidence of their net social and economic benefits to the EU and its Member States.

We support the Commission in their aim to take a holistic approach to developing the new circular economy package. This should **critically examine the efficiency and efficacy of the target architecture across the circular economy proposals, as a whole.**

We would like the Commission to focus on measures necessary to meet the twin objectives of improving resource efficiency and keeping materials in circulation, thereby prioritising actions to prevent materials becoming waste. Interventions on waste necessarily need to take into account the consequences of actions proposed to prevent waste. If targets relating to the management of materials once they become waste are considered necessary, these should work together, and avoid duplication, complexity, and incentivising unintended outcomes with respect to these twin objectives. The ambitious challenge is to meet our environmental objectives in a way which also promotes growth and jobs, by devising a simple structure which gives high level direction while leaving discretion to Member States and businesses in how best to meet these requirements.

The economic benefits of valuing waste as a resource are potentially huge. UK research estimates that the core waste sector generated £6.8bn (€9.2bn) in gross value added (GVA) and

⁶ We are funding *The Great Recovery Project* <http://www.greatrecovery.org.uk/>, and the Scottish Institute of Remanufacture is the first in Europe

⁷ Our Action Based Research Programme seeks to build a Europe wide programme for circular innovation based on this model.

⁸ Excellent examples of the benefits of the voluntary approach in the UK: Courtauld Commitment; Product Sustainability Forum; Sustainable Clothing Action Plan, facilitated by WRAP providing a pre-competitive space enabling collaborative action by businesses and other organisations to reduce waste and improve resource efficiency.

supported 103,000 jobs in 2013⁹ in the UK alone. By removing barriers to repair, re-use and leasing activity that help extend the life of products, the contribution to the economy could be much greater. Data for 2013 suggest that the contribution of this sector could have been as high as £41bn (€55bn) to approximate GVA (aGVA) and 672,000 jobs in the UK.

Within the context of the approaches above, we feel that the Commission should therefore examine the opportunities to:

- Allow Member States to incentivise greater repair, reuse, remanufacturing and recyclability, and recycled content in specified products, in product design and remanufacture through: guidelines or a new approach to the current EU definition of waste which would promote greater re-use while continuing to ensure effective regulation; and seeking flexibility in existing EU structures to make more instruments available to Member States.
- Develop **guidance** to encourage and streamline Extended Producer Responsibility schemes;
- Encourage Member States to use public procurement to stimulate the market, in conjunction with private sector buyers where appropriate, for reused/remanufactured and recycled content in specified goods:
 - ‘The Next Manufacturing Revolution’ report¹⁰ estimates that the potential benefit of remanufacturing, for 3 key sectors, could be in the region of £5.6bn-£8bn (€7.6bn-€10.8bn) a year in increased profitability, excluding initial capital outlay.
 - A joint report¹¹ by the All Party Parliamentary Groups for Sustainable Resource and for Manufacturing identified other sectors with potential for growth in reuse and remanufacture, including electrical appliances, white goods, paints and chemicals, post-industrial and pre-consumer textiles, and carpet flooring.

Having examined the impact of measures to promote greater resource efficiency, it will be necessary to demonstrate that their social and economic benefits exceed their costs. The expected means of doing this would be through a new Impact Assessment on the proposals being made around the whole circle, so that the impacts are examined in their new and proper context. The UK is very happy to feed information into this process.

Conclusion

The UK hopes that these ideas will be of help to the Commission as it starts the work of drawing up a new proposal on the circular economy. We welcome the opportunity to work constructively to achieve a balanced package which has the right level of ambition, is evidence based, and is feasible to implement for all Member States.

We would welcome the opportunity to discuss these ideas and others with the Commission in the coming weeks, so that the UK can build upon what we are already doing at a practical and research level to help transition to a more circular economy.

⁹ Defra (2015) *Resource Management: a catalyst for growth and productivity*. <https://www.gov.uk/government/publications/resource-management-a-catalyst-for-growth-and-productivity>

¹⁰ Lavery Pennell (2013), *The Next Manufacturing Revolution-Non-Labour Resource Productivity and its Potential for UK Manufacturing*, p73

¹¹ All-Party Parliamentary Sustainable Resource Group (2014), *Triple Win - The Social, Economic and Environmental case for Remanufacturing*; <http://www.policyconnect.org.uk/apsrg/research/report-triple-win-social-economic-and-environmental-case-remanufacturing>