

AIM POSITION (detailed version)

EU CIRCULAR ECONOMY ACTION PLAN & WASTE LEGISLATION REVIEW

1. Brands support the circular economy concept

The circular economy concept makes both environmental and economic sense - to manage scarce resources carefully and, where feasible, to re-inject them into the economy. AIM member companies already integrate circular thinking into their strategies through responsible raw material sourcing, efficient production processes, more sustainable product design, inspiring more sustainable consumer behaviour (“Nudging for Good”), promoting redistribution and participation in Extended Producer Responsibility (EPR) schemes for efficient waste management and recycling.. The Commission is to be commended for attempting to create a coherent framework for the various policy strands of a circular economy thereby delivering the enabling environment in which business can work

AIM members believe that the end goal for the circular economy should be an EU framework that;

- creates new markets & business opportunities by stimulating and supporting innovation,
- secures access to primary materials and promotes their productive use,
- guarantees recycled material complying with quality standards defined by the market,
- encourages the production, access and utilisation of high quality secondary raw materials by treating all by-products and waste as valuable resource streams for further use,
- and ensures an overall positive effect on the social, economic and environmental sustainability of EU economic activities.

Together, these can create a competitive advantage for Europe’s economy that will equip the EU better to deal with strategic raw material issues by decoupling economic growth from resource consumption, leading to a low carbon, more prosperous EU.

2. The EU Action Plan for the Circular Economy – Closing the Loop

2.1 Role of brands - innovating and designing for a circular economy

Research and innovation lie at the heart of the branded goods industry. Constant innovation to anticipate and respond to consumer and societal trends is what keeps a brand relevant. Branded goods manufacturers have long invested in resource-efficient production processes, products and packaging, and are continuing to do so in light of scientific evidence, evolving consumer/societal demand and policy frameworks. Whilst AIM would agree that overall goals and directions should be defined at EU policy level, we would contend that any concrete EU measure to promote the circular economy needs to provide **sufficient stimulus and flexibility for innovation** in product/packaging design, production, use

and recovery. Design criteria should not constrain innovation and should avoid “locking in” the industry into one particular way of providing products and services.

AIM supports the idea of waste prevention through redistribution as an integral part of the circular economy. The branded goods industry continues to innovate in this area and supports a policy environment which promotes trusted routes of redistribution, securing societal benefits.

2.2 Comments on chapters in the action plan

2.2.1 Product design for the circular economy should continue to thrive on innovation

EU policy measures aimed at product or packaging design for the circular economy should not set unjustified barriers for production processes and products, thereby limiting innovation and potentially imposing additional regulatory burden on business. Whilst incentives to integrate circular economy aspects into product and packaging design will be helpful for business, prescriptive requirements for product composition and design will be counterproductive and stifle the very innovation flexibility which is necessary to drive circularity and resource efficiency. Goals should be defined, but not the means by which to achieve them. Similarly we would warn against EU Member States taking individual product or packaging design measures which would erode the Single Market.

In the specific case of packaging design, there should be a focus on the needs of the product and its packaging when considering eco-design. The design and role of packaging cannot be divorced from the needs of the product as a whole. Also, any policy reflections on design should take into account that the branded goods industry is already trying to close the loop for materials by integrating secondary raw materials into their products/packaging and by using as little packaging material as possible but as much as necessary. For packaging, this has been supported by the Essential Requirements of the Packaging and Packaging Waste Directive, which have been translated into CEN standards, and are regarded as a basis for ensuring packaging design which is supportive of the circular economy. Furthermore, the Consumer Goods Forum’s Global Protocol for Packaging Sustainability¹ (GPPS) is a globally agreed tool to help companies in packaging sustainability design. As pointed out above, national design measures for packaging would be counter-productive for the Single Market, but also in terms of cost to manufacturers. Design for packaging for foodstuffs needs to take into account specific food safety requirements, and the role of packaging in preventing food waste across the life-cycle of the product itself (rather than a sole end-of-life focus on packaging).

We would also recommend an approach taking into account the global competitiveness of the European industry.

The proposal to link product design to differentiated fees for EPR schemes on the basis of end-of-life costs as an economic incentive to design for circular economy is already being applied in some sectors. The method for differentiating EPR fees accordingly should be based on a scientifically reliable, consistent and non-misleading methodology agreed by all EU Member States to ensure a sufficient level of harmonisation between national provisions to protect the Single Market.

2.2.2 Production & Sourcing

The vast majority of branded goods manufacturers have set targets for responsibly sourced ingredients, raw materials and packaging, covering primary and secondary raw materials. Companies’ responsible sourcing programmes are aimed at ensuring that suppliers mirror our industry’s expectations for

¹ GPPS : <http://www.theconsumergoodsforum.com/download-global-protocol-on-packaging-sustainability-gpps>

environmental and social impacts in their operations and supply chain requirements further up the supply chain. Through industry-wide collaborative initiatives, such as **AIM-PROGRESS² - AIM's global responsible sourcing programme** - brand manufacturers seek to raise the bar for sourcing requirements in the branded goods industry, reduce unnecessarily conflicting demands on their common supplier base and deliver continuous improvement throughout the supply chain. There are many such programmes in existence, often organised per sector. We are pleased to see that the Commission **recognises the value of voluntary horizontal and vertical industry collaboration for achieving circular economy goals**. AIM encourages the **use of international frameworks for voluntary sector approaches**, e.g. UNGPs Business & Human Rights, OECD guidelines MNE, ISO 26000, ILO Tripartite declaration, etc. AIM is also supportive of good management practices and, if necessary, legislation for procurement of critical resources, e.g. conflict minerals, timber, water, etc.

Secondary raw materials need to be available in sufficient quantity and quality at competitive prices relative to primary materials. The EU should strive for a genuine **internal market for secondary raw materials** with relevant infrastructure for sorting and re-processing available where they are needed. The development of **end-of-waste criteria for key secondary materials** is a necessary pre-requisite for such a market. Furthermore, it is of vital importance that industry can make optimal use of all valuable substances from the supply chain. This means unnecessary waste classification of such substances is to be avoided, and substances for which further use is safe and legal should be exempt from the waste definition, or be classified as by-products.

In addition, AIM sees a need to recognise the potential of renewable, bio-based sources which can help diversify material supply and contribute to reducing Europe's dependence on finite raw materials which are drastically depleting.

There is a distinct opportunity for the EU economy to become a **leader in innovative green technologies and industrial symbiosis** by allowing waste, new more sustainable raw materials and by-products to become input for new production processes and other industries. BREFs on waste management and resource efficiency practices will be very helpful.

2.2.3 Consumption

One of the keys to achieving a circular economy will be consumer behaviour: how best to **communicate relevant and trustworthy information to consumers** to encourage them to change behaviour?

We agree with the Commission that the circular economy discussions and potential measures need to take account of the ongoing work on Product and Organisational Environmental Footprinting (PEF/OEF), green claims and eco-labelling, and vice-versa.

The Commission also suggests that consumer behaviour can be leveraged through **economic instruments**, and encourages Member States to "provide incentives..., such as taxation, to ensure that product prices better reflect environmental costs". **Whilst AIM is, in principle, supportive of an approach to internalise externalities to better reflect the true costs of products, we would strongly warn against a fragmented national approach, which risks undermining the Single Market.** Any economic incentives debate should also comprise positive incentives.

² www.aim-progress.com

Whilst accurate and easy-to-understand consumer information, as well as awareness campaigns, are paramount for consumers to take an active role in sustainability, there is often a gap between consumers' stated intentions and what they actually do³. The EU Commission is currently looking at how behavioural science can be used for smart policy-making, and what are the **opportunities to “nudge” consumers to change their consumption habits**, in addition to information and education. The branded goods industry, because of its consumer insights and marketing expertise, can play an active role in helping people adopt healthier and more sustainable lifestyles. To this end, AIM has set up the **Nudging for Good**⁴ initiative to foster such approaches within the industry and beyond, and to make it easy and desirable for consumers to change habits towards more sustainable ones.

2.2.4 Packaging Waste Management

AIM advances the following comments with regards to the review of the (Packaging) waste management legislation⁵:

- **Strong support for the retention of the Internal Market safeguard** as the fundamental legal base of the Packaging and Packaging Waste Directive to continue to allow the free movement of packaging and packaged goods in the Internal Market. The duty on the Commission to report to the EU Parliament and Council on the proper functioning of the Internal Market (currently contained in Article 6.8) should be maintained (rather than deleted).
- **We strongly welcome the Commission’s intention to improve transparency of and rules for EPR schemes**, which will help avoid cherry-picking of materials or by geographic scope, improve cost efficiency and support a level playing field among all EPR schemes.
- We fully support the **introduction of the net cost principle** under Article 8a (4) a first indent in the WFD proposal. In order to ensure the full application of this principle, EPR schemes for packaging and packaging waste should also be required to be **transparent about the revenues received** from the sales of secondary raw materials from their packaging. This requirement is also relevant within the context of the Circular Economy Action Plan to boost markets for secondary raw materials and their traceability. Sales of such materials, which are indicative of closing the loop, provide a useful KPI *per se*. In addition we believe that Member States without EPR schemes for packaging waste must also be required to ensure that their packaging waste management systems deliver results in an enforceable, transparent and accountable manner entirely consistent with the EPR minimum requirements for packaging waste.
- **We call for a clarification of “shared responsibility” in packaging waste management to be introduced in the PPWD** covering all relevant actors⁶ in the supply chain. We believe that whilst the detailed design of EPR systems should take place at national level, it is critical that a “common corridor” of roles & responsibilities of all the actors along the value chain is defined at EU level to improve clarity, increase cooperation and reduce conflict. Financial contributions assigned to producers/importers must be consistent and proportionate to their nationally defined roles and responsibilities, among those defined for the other actors in the supply chain. We would argue that distributors (retailers) and consumers/citizens should be included in the list of supply chain actors, as well as e-commerce platforms where no producer/importer is identified. **We support coverage of real end-of-life net costs for separate collection and sorting for recycling** (WFD proposal Article 8a

³ June 2014 [Flash Eurobarometer 388](#)

⁴ www.nudgingforgood.com – helping people to adopt healthier and more sustainable lifestyles

⁵ These comments have already been put forward by EUROOPEN in their [recommendations](#) on the EU legislative proposals for the Packaging and Packaging Waste Directive and Waste Framework Directive, 11 February 2016

⁶ Actors include producers, EPR schemes, public or private waste management operators, local authorities, consumers/citizens, distributors/retailers (including e-commerce platforms), and, for the relevant waste streams, recognised re-use operators where appropriate.

(4)a first indent). However, while including coverage of “treatment operations” might make sense for certain waste streams, it goes beyond the producer’s role in the case of packaging. **An unlimited obligation for producers/importers to “cover the entire costs of waste management”** including undefined “treatment operations” and potentially including other and divergent national measures **is disproportionate to their role and responsibility for the collection and sorting of used packaging.**

- The proposal **rightly establishes the point of measurement for packaging recycling as the point of input to a final ‘preparing for re-use’ or recycling process**, after sorting operations have been completed. The option to count output from sorting operations under certain conditions is consistent with this measurement approach.
- **The proposed targets and deadlines take account of the wide variation between Member States;** they will drive investments and quality separate collection. Robust measurement and accurate reporting will be crucial to ensure transparent, comparable, high-quality statistics across the EU. **A clear definition of ‘preparation for re-use’ and its role in a joint target with recycling is necessary to better understand the implications .**
- AIM would also contend that the **potential of waste to energy or thermal recovery** needs to be retained in an overall waste strategy⁷. Recycling is not an endless process, nor should it be a goal in itself; once recycling no longer makes environmental or economic sense, clean incineration with energy recovery should remain a valid process in the waste hierarchy.

3. Removing obstacles to/ Unlocking potential for circular economy

Beyond the completion of the Single Market as a key tool for sustainable growth, the following barriers need to be addressed to accelerate the transition to a circular economy. Many of these barriers are specific to particular materials, products and sectors, requiring different types of action at the EU, national, regional and local level:

- **To ensure an acceleration of circular economy, legislative coherence should be sought and barriers stemming from EU legislation should be removed.** For example, the conflict between EU waste legislation and chemical regulation (e.g. REACH) needs to be addressed to avoid unjustified barriers to recycling operations and the safe use of secondary raw materials. **The use of secondary raw materials should be facilitated and encouraged.** For instance, reviewing current economic incentives for each material/waste stream would be an important first step (e.g. differentiated EPR fees to encourage design for circular economy with principles agreed at EU level). For materials for which the secondary markets exist, efforts should focus on ensuring that they are recycled properly at the end of life to go back into the cycle. A review of the classification of waste versus by-products would be helpful in this context.
- **Plastics** are a valuable resource for a wide range of packaging applications and products. Strategies which enable a better recovery and more circular use of plastics are in principle supported by our industry.
- **Minimum quality criteria for secondary raw materials** are key to ensuring high value recycling. The use of such materials would effectively be precluded without common EU “end of waste” criteria. They provide the necessary regulatory confidence to producers to use secondary materials.
- **Remediating lack of public investment in waste collection, recycling and recovery infrastructures is key,** especially for lower value materials/products for which company-specific collection is not always economically viable but for which high volumes are available if collective efforts are in place.
- **The use of EU funds to finance R&D and innovation in new recycling/recovery technologies** should be encouraged through adequate support and guidance on how to access them, in line with the

⁷ This is recognised in the recent [Waste to Energy Policy Roadmap](#), January 2016

endeavour to boost the EU economy through “green” innovation. **Availability of data on materials and recycling** is key to guide industry’s efforts in product design and incorporation of secondary raw materials.

- **Preventing litter** from occurring in the first place should be prioritised We welcome the proposal’s approach that Member States waste management plans should contain measures to combat all forms of littering and to clean up all types of litter, including the responsibility for Member States to prohibit the abandonment or dumping of waste, including littering (WFD, Art 8a §2; Art 28 §3 point 6; Art 36). Given that litter is very much a behavioural problem, public authorities should focus on awareness-raising and education, including the use of “nudging” techniques to make it easy and desirable for citizens to combat litter.
- **Industrial symbiosis** through new forms of cooperation between industries and between the private and public sector are to be encouraged
- **One joint multi-stakeholder platform to foster dialogue, leverage existing knowledge and spur concrete actions between the parties involved in circular economy** needs to be set up. There seems to be a plethora of EU-funded project platforms dealing with circular economy topics emerging under Horizon 2020. It is important to ensure coherence between these.

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