

## **DRAFT - AIM POSITION**

### **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 rather than letting them go to waste. AIM member companies are actively contributing to a circular economy through responsible raw material sourcing, efficient production processes, more sustainable product design, inspiring more sustainable consumer behaviour and supporting efficient waste management. The Commission is to be commended for attempting to create a coherent framework for the different policy strands of a circular economy.

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 brand innovation,
- secures access to primary materials and prolongs their productive use (e.g. through re-use, re-manufacturing or as spare parts or recycling),
- guarantees high quality recycling processes once materials reach their end of life (but recognise that recycling is not endless and that high-quality energy recovery and disposal processes will need to be in place),
- 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.

This will create a competitive advantage for Europe's economy that will make the EU better equipped to deal with strategic raw material issues by decoupling economic growth from resource consumption, leading to a low carbon, prosperous EU.<sup>1</sup>

#### **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 and products, and are continuing to do so in light of scientific evidence, evolving consumer/societal demand and policy frameworks. Any EU measure to promote the circular economy needs to provide sufficient stimulus and flexibility for innovation in product 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. *[insert here an example where restrictive regulation/standards have hampered “green” innovation].*

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<sup>1</sup> Source for this paragraph: *Contribution to an ambitious circular economy package* » by DSM, Michelin, Philips, Suez, Tetrapak, Umicore, Unilever – March 2015

## 2.2 Comments on chapters in the action plan

**Product design for circular economy should continue to thrive on innovation.** Consumer goods manufacturers adapt their products and services to constantly changing societal needs and aspirations. The brands' contribution to the circular economy is to develop solutions which enable recyclability (ease of separation of material components, more homogeneous waste streams), help avoid waste of valuable resources (reduced material use, minimisation of energy/water consumption, use of renewable resources, integration of secondary raw materials where technically possible, thereby stimulating secondary raw material markets) and reduce overall environmental impact of brands.

**Any 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. 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, as the design and role of packaging cannot be divorced from the needs of the product as a whole.

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 recyclability or reusability is already being applied in some sectors and merits further consideration.

AIM would support a coherent approach to different EU product policy strands under the umbrella of circular economy.

*[Do we have comments on the mandatory design requirements for electronic displays under the Eco-design directive?]*

### **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 are aware of our industry's expectations for environmental and social impacts, and that they also mirror them in their operations and supply chain requirements further up the supply chain. Through industry-wide collaborative initiatives, such as **AIM-PROGRESS - AIM's global responsible sourcing** - 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 ([www.aim-progress.com](http://www.aim-progress.com)). 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 vs 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.

There is also an opportunity for the EU economy to become a **leader in innovative green technologies and industrial symbiosis** by allowing waste and by-products to become input for other industries. BREFs on waste management and resource efficiency practices will be very helpful.

## Consumption

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

We agree with the Commission that the ongoing work on PEF/OEF, green claims, eco-labelling needs to take into account circular economy aspects.

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 Member States approach, which risks undermining the Single Market.** Any economic incentives debate should also comprise positive incentives, not just penalising approaches.

Whilst accurate and easy-to-understand consumer information, as well as awareness campaigns, is paramount for consumers to take an active role in sustainability, there is often still a gap between consumers’ stated intentions and what they actually do<sup>2</sup>. 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** 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. We have published an [open on-line toolkit](#) for use by the industry and public policy-makers. Our focus areas include circular economy topics, such as resource efficiency and less waste/litter. A number of relevant case studies have already been published on the portal, and could inspire policy-makers and other industry sectors to use nudging to promote the circular economy. Our initiative has met with support from policy makers, both within the European Commission and the European Parliament, as well as industry sectors who are currently exploring the potential of “nudging” to meet public policy goals.

## (Packaging) Waste Management

**AIM echoes the comments already submitted by EUROOPEN** on the review of the (Packaging) waste management legislation, notably:

- We **strongly support the retention of the Internal Market safeguard** as the 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 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.

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<sup>2</sup> June 2014 [Flash Eurobarometer 388](#)

- **The proposed packaging ‘preparing for re-use’ and recycling 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 common understanding of ‘preparation for re-use’ and its role in a joint target with recycling is necessary.** A differentiation needs to be made between packaging and products.
- AIM would also contend that the **potential of waste to energy or thermal recovery** needs to be part of an overall waste strategy. Recycling is not an endless process, nor should it be a goal in itself; clean incineration with energy recovery should remain a valid process in the waste hierarchy. *[this is an addition to the EUROOPEN comments]*
- **We strongly welcome the Commission’s intention to improve transparency of and rules for EPR schemes, as well as the accountability of different actors in EPR implementation.** Clear roles and responsibilities need to be established for producers, EPR schemes, public and private operators and local authorities. We would argue that retailers and citizens, as well as Member States, also have role to play. Financial contributions assigned to producers/importers must be consistent with their defined roles and responsibilities. We support most of the specified harmonised requirements regarding financial contributions in the WFD proposal, including real end-of-life net costs for separate collection and sorting for recycling. **However, 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 and risks fragmenting the Internal Market.** We welcome the EPR requirement on transparency which should avoid cherry-picking of materials and geographic scope in article 8a, point 3. **EPR schemes should also be required to account for the revenues received from the reuse or sale of secondary raw materials in order to ensure the application of the net cost principle** as required under article 8a (4)a first indent. Accordingly, revenues from the reuse or sale of secondary material should be added to the list of information as required under article 8a (3)d.  
Requiring EPR schemes to “gather data on products placed on the EU market by producers subject to EPR” is disproportionate if in the case of packaging this means collecting data about each individual packed product. Packaging should not be considered a product or product group; for this reason it has its own distinctive legal text.

## Removing obstacles to 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, barriers stemming from EU legislation should be removed. For example, according to the REACH regulation, recycling operations and the use of secondary raw materials containing certain substances above a threshold in the subsequent value chain activities cannot be carried out without prior authorization, which adds bureaucracy and time to completing the circle. This conflict between EU waste and chemicals policy impacts the smooth operation of circularity.
- The use of secondary raw materials should be facilitated and encouraged. For instance, reviewing current fiscal/economic incentives for each material/waste stream would be an important first step (e.g. differentiated EPR fees according to level of recycled content or recyclability). While for those 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.
- Minimum quality criteria for secondary raw materials are key to ensuring high value recycling.

- Specific product requirements should not limit and slow down product renewal or bringing new innovations to market.
- 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.

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