

## Ecopreneur.eu welcomes new Circular Economy Action Plan but misses 11 key elements

Brussels, 26 March 2020 - Ecopreneur.eu, the European Sustainable Business Federation, welcomes the Communication from the European Commission on the new Circular Economy Action Plan (CEAP). We welcome its ambition and measures proposed but *miss 11 key elements* to make sustainable products, services and business models the norm.

We particularly **welcome** the overall ambition of the CEAP (11.3.2020 COM(2020) 98 final), including increased **green public procurement**, a clear link with the climate agenda, the goal to scale up the circular economy from **front-runners** to the mainstream economic players and to double the circular material use rate by 2030; the right to repair, attention to **design** and **reuse**, the proposed policies for products, textiles, construction, intentionally added microplastics and Persistent Organic Pollutants; the aim for increased **transparency** by companies substantiating their environmental claims, and a European Data Space for Smart Circular Applications.

Manfred Mühlberger, Chairman of Ecopreneur.eu, said: “The main challenge will be to translate these ambitions into implemented measures able to achieve them. The market *will* adapt – as long as industry gets adequate support and a clear timeline.” Depending on its realisation, the CEAP can generate some traction to low-carbon circular products and services.

However, “based on the collective experience of our 3000 front-runners, our main concerns is that the total set of policy instruments seems **inadequate** to realise its ambitions because **11 key measures are missing** to get the economics right”, adds executive director Arthur ten Wolde. To establish “a strong and coherent product policy framework that will make sustainable products, services and business models the norm and transform consumption patterns so that no waste is produced in the first place”<sup>1</sup>, much more is needed:

1. Harmonised Extended Producer Responsibility (EPR) schemes with eco-modulation of fees in all waste-intensive sectors;
2. Formation of “Acceleration Houses” or “Circular Hubs” in all member states;
3. Active engagement of green SMEs as front-runners to create a “race to the top”;
4. An effective border adjustment mechanism;
5. A ban on landfilling;
6. A second SME impact assessment at the end of the policy making process;
7. Restriction of EU subsidies for recycling to processes with net positive CO<sub>2</sub> emissions for otherwise unrecyclable (plastic) residues;
8. A mandatory gate-to-gate Life Cycle Analysis (LCA) for all companies;
9. Integration of the social dimension in the Financial Taxonomy;
10. A call for proposals to study the impacts of an EU circular textiles economy on the global textile industry;
11. A tax shift from labour to resources.

(see other side)

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<sup>1</sup> as stated on p. 3 of the CEAP

In more detail, Ecopreneur.eu recommends the following amendments to the CEAP:

1. Implementing **Extended Producer Responsibility (EPR)** schemes with eco-modulation of fees in all waste-intensive sectors as to incentivise circular design for waste prevention by, for instance, longer product lifetimes, reuse, and uptake of recycled content. Especially in the absence of tax measures at product level, EPR with eco-modulation is crucial to provide the necessary economic incentives to get the economics right. The schemes should be closely aligned by clear guidelines and **harmonised** to create a level playing field within the single market involving all actors in the value chain, including importers. They should also ensure that specific take back systems developed by individual front-runner companies can co-exist with mandatory regulated systems;
2. A **separate action** aligned with the Cohesion Fund to foster low-carbon circular solutions across Europe via the creation of national and regional Circular Hubs or **"Acceleration Houses"**<sup>2</sup> in all member states. These public-private partnerships, funded by the Commission, will assist SMEs (including green SMEs) and larger companies with circular design<sup>3</sup> and access to finance, and assist municipalities with circular procurement. They are accompanied by national/regional **Green Deals on Circular Procurement**<sup>4</sup> which include commitments by large companies, and by national/regional Circular Economy **Roadmaps** aligning stakeholders to a common agenda. Acceleration Houses are crucial to create regional eco-innovation networks, to generate demand and increase supply – and also to convince all stakeholders that “circular” is good for the economy. See also our report “Circular Economy Update.”<sup>5</sup>
3. Actively **engaging green SMEs** in the CEAP, Industrial Strategy and SME Strategy: while front-runners are rightly mentioned and will receive support for research and innovation, a role for green SMEs and larger front-runners is entirely missing. To create a “race to the top”, the resource and energy efficiency realised by revolutionary green products and services – mostly developed by green SMEs – should serve as a new standard for their product group. They can play a crucial role in the transition as “regenerative heroes” with inspirational examples, some of which can form a basis for new standards or Best Available Technologies (BATs). Highlighting successful, national examples of green businesses is also crucial to convince stakeholders in all member states of the economic opportunities. Finally, their unique experiences with delivering circular products and services can provide crucial input for the policy making process and counter unjustified resistance from conventional industry.
4. Introducing an effective **border adjustment mechanism**, which is key to create a level playing field. This instrument should prevent the import of goods from foreign companies which would distort the EU internal market, e.g. by pricing

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<sup>2</sup> <https://www.government.nl/topics/circular-economy/accelerating-the-transition-to-a-circular-economy> and <https://versnellingshuisce.nl/> (in Dutch)

<sup>3</sup> See e.g. <https://www.circonl.nl/english/>

<sup>4</sup> <https://circulareconomy.europa.eu/platform/en/commitments/green-deal-circular-procurement> and <https://www.circle-economy.com/news/green-deal-circular-procurement>

<sup>5</sup> <https://ecopreneur.eu/wp-content/uploads/2019/09/Ecopreneur-Circular-Economy-Update-report-2019.pdf>

corrections. **Environmental Product Declarations (EPDs)** can play an important role in this, at least for large companies.

5. Full implementation of the waste hierarchy, including a **ban on landfilling** to boost reuse and recycling, and prevention of the use of EU funds for investments in residual waste incineration;
6. A **second SME impact assessment** at the end of the policy making process for all new EU legislation, ensuring that any additional administrative burden of new or amended regulations (such as the Taxonomy) will be put on *all* companies and not just on SMEs / companies delivering green products and services.
7. To make sure the circular economy objective of recycling is in line with climate objectives, the use of **EU subsidies will be restricted to recycling processes with net positive CO<sub>2</sub> emissions** and be accompanied by research on recycling using renewable energy. In the long term, subsidies for recycling processes based on fossil fuel energy will be phased out. Green SMEs are concerned that the chemical industry will receive a disproportionate share of public funds to introduce chemical recycling, with high carbon emissions, as an end-of-pipe solution allowing them to continue linear business-as-usual, rather than switching to green chemistry enabling circular products from clean processes. In addition, **chemical recycling should only be applied for otherwise unrecyclable (plastic) residues**. Mixed collections for e.g. packaging have proven to be a relevant source for high-quality recyclates up to cosmetics and food-grade applications. If chemical recycling would be used on residues which can also be mechanically recycled, valuable collected streams of collected plastic would be lost for mechanical recycling which have now proven a relevant source for recyclates.
8. Stand firm in **upholding** the scope of the **Single Use Plastics Directive**.
9. Let all companies perform a **mandatory gate-to-gate Life Cycle Analysis (LCA)** to identify both positive and negative social and environmental impacts along their value chain, integrating it as well in risk management systems. A gate-to-gate impact assessment by each company of their own energy and resource use and their impacts should be both feasible and cost-effective, also for SMEs, although special attention may be needed for the smallest ones. Their combination would yield extremely valuable information for full-chain footprint estimates and an enabler for circular procurement and design. In contrast, full-chain LCAs / PEFs are in general too expensive for SMEs.
10. Integrate not only the circular, but also the **social** dimension in the Financial Taxonomy before incorporating it in regulations such as the Ecolabel.
11. Secure strong interconnection between DG ENVI, DG GROW and DG REGIO to ensure the CEAP becomes the core strategy for economic development and innovation across the EU.
12. Make sure that the **CE Monitoring Framework** is properly implemented across the EU.
13. Create a general regulatory framework that creates **harmonised transparency and traceability**, introduces **minimum requirements for circular design** including

resource efficiency for all end products and removes existing obstacles for cross-border shipment of waste within the EU.

14. Ensure that the Textiles Strategy integrates all five policy pillars proposed by Ecopreneur in our report “Circular Fashion Advocacy”<sup>6</sup> and **launch a call for proposals to study the impacts of an EU circular textiles economy on the global textile industry**, as recommended in our research note “Circular Fashion and Textile producing Countries”<sup>7</sup>.
15. And finally, Ecopreneur.eu repeats the need for the European Council to initiate a **tax shift from labour to resources**, including increased CO<sub>2</sub> pricing and opening up the EU VAT directive to allow for VAT differentiation for circular products and services. Specifically, in the case of an enhanced cooperation initiative by at least nine EU member states<sup>8</sup> to develop a joint approach on fiscal reform to foster a low-carbon circular economy, the Commission should gladly take its role.

#### **ABOUT ECOPRENEUR.EU**

Ecopreneur.eu sets a course toward sustainable economic policies on the European level to support the economic and societal transformation across Europe and beyond. Ecopreneur.eu aims at opening solidified structures and brings sustainable matters to European policy makers. Ecopreneur is a non-profit non-governmental organization that holds six associations from different member states of the European Union. Together they represent over 3000 green businesses, mostly SMEs.

#### **Contact information**

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<sup>6</sup> <https://ecopreneur.eu/wp-content/uploads/2019/03/EcoP-Circular-Fashion-Advocacy-Report-28-3-19.pdf>

<sup>7</sup> <https://ecopreneur.eu/wp-content/uploads/2020/02/EcopreneurEU-Research-Note-on-Circular-Fashion-Impacts-26-2-2020.pdf>

<sup>8</sup> [https://en.wikipedia.org/wiki/Enhanced\\_cooperation](https://en.wikipedia.org/wiki/Enhanced_cooperation)