

Position Paper

Sustainable Product Policies should support SMEs switching to circular models

This position paper provides feedback to a [public consultation](#) by the European Commission in preparation of the Sustainable Product Initiative (SPI) due to be published in September 2021

Brussels, 7 June 2021 - Ecopreneur.eu greatly welcomes the European Commission's proposal for a Sustainable Products Initiative but six policy measures will be essential to make it work for SMEs.

The European Sustainable Business Federation - Ecopreneur.eu - and its member organisations welcome the European Commission's draft for a Sustainable Products Initiative as part of the European Green Deal. From our perspective of green entrepreneurs or "eco-preneurs", we strongly support the overall goal "to make products fit for a climate neutral, resource efficient and circular economy, reduce waste and ensure that the performance of frontrunners in sustainability progressively becomes the norm".

We greatly welcome the European Commission's plan to **widen the Ecodesign Directive** beyond energy related products and make it applicable **to the broadest possible range of products**, starting with the most resource- and intensive ones. Minimum requirements for sustainable (low-carbon, circular and fair) design should be introduced for all products and services to help the market phase out the worst performers that are competing unfairly with sustainable goods. These requirements should apply to all end products entering the EU market for the first time. Only the sales of second-hand goods from the EU market needs to be excluded because reuse is a highly circular business model that does not include design, while (and provided that) these products have already entered the EU market at an earlier time. This exception does not extend to remanufacturing or other circular business models. Key criteria for circularity should include sanitary innocuousness, durability and warranty, increased functionality, the ability of reuse, remanufacturing and sharing, the use of recycled content, recyclability and locality. We **support the implementation of all measures considered** in the proposal and will be happy to provide further input. Please see Annex 1 about establishing sustainability principles.

We also **fully support the implementation of Digital Product Passports**. Building on existing standards and tools such as the Environmental Product Declarations and the Product Circularity Data Sheet (PCDS), they should carry available and auditable information about the materials, hazardous substances and their sources, the share of recycled content, the compliance standards met, the certified warranty period, the environmental footprint, as well as instructions about maintenance, repairability and end-of-life treatment, and links to relevant external data sources.

Six policy measures required to make the Sustainable Product Initiative work for SMEs

However, in our opinion, the European Commission's draft proposal falls short of the following key policy measures which will be **crucial to making the Initiative work**, both for SMEs and in general:

1. The **minimum sustainable requirements for products should be reviewed every five years** to be adapted to technological and economic progress of circular models and hence raising the bar similar to Best Available Technologies (BAT) reviews.

To define minimum requirements, Ecopreneur.eu advocates a **mandatory gate-to-gate Life Cycle Analysis (LCA) for all companies including SMEs** to provide the data needed to assess the social and environmental impacts of products and services including the full value chain, covering impacts from cradle-to-grave to the use phase, after-use phase and along multiple life cycles. Unlike a full-chain LCA, a gate-to-gate LCA approach in our experience would be feasible, affordable and suitable for SMEs, maybe with special attention to the smallest ones. The full-chain Product Environmental Footprint (PEF) for each end product can then be obtained and evaluated by “adding up” all gate-to-gate LCAs in their specific value chain. That should become the norm. This measure would increase transparency, help substantiate green claims, and provide a basis for price incentives based on True Cost accounting. It would also help to define “best in class” performers for all product groups and services, that could serve as a benchmark for setting ambitious new standards. An upgraded and tightened Ecolabel, for example, could potentially become a warrant of sustainability and a reliable reference for consumers to make informed choices and reduce greenwashing.

2. EU rules for **mandatory minimum sustainability requirements should also be at the basis of public investment in – and public procurement of - sustainable products and services**. As green public procurement is one of the most important instruments for mainstreaming sustainable products and services in the market, Ecopreneur.eu calls on the Commission to set these minimum requirements as a criterion in the use of public finances by default, giving priority to sustainable business models in financing schemes and in formulation of public tenders.
3. To help companies meet new product requirements and facilitate collaboration and exchange of best practice, the Sustainable Product Initiative should explicitly **promote the establishment of “circularity hubs”** for SMEs in all EU regions¹. Circularity hubs would accelerate the development and adoption of sustainable products and circular business models by operating in form of a public-private partnership and one-stop-shop. Offering SME support in an aligned way, these hubs would promote collaboration and advocacy, offer education, training, information and awareness, provide business tools and support and facilitate collaboration and the EU level.
4. Crucially, the **sustainability value and reduced externalities need to be reflected in the market price of end products**. Where the minimum requirements can set an acceptable bases level, this is needed to create a race to the top by eco-innovation. For this reason, Ecopreneur.eu calls for effective price incentives through the implementation of improved Extended Producer Responsibility (**EPR**) schemes, **carbon pricing, a tax shift from labour to the use of resources and opening the VAT Directive** to allow member states to differentiate VAT rates on the basis of circularity and sustainability. In this

¹ As adopted by European Parliament in Amendment 29 for paragraph 35 in the MEP Jan Huitema report on the new Circular Economy Action Plan, see https://www.europarl.europa.eu/meetdocs/2014_2019/plmrep/COMMITTEES/ENVI/DV/2021/01-25/1222761EN.pdf

context, we also underline the importance of an effective **carbon border adjustment mechanism** for third-country imports to warrant a level playing field for sustainable services and goods produced within the EU.

EPR schemes combined with eco-modulation must be harmonised and extended to products with a high environmental footprint, according to the principles of the EU waste hierarchy, rewarding re-use over recycling and disposal. The schemes should incentivise circular design and secure appropriate funding for collective circular measures including textiles collection, sorting, treatment, collaboration, dialogue, communication and R&D. Eco-modulation of EPR schemes should be based on a bonus/malus system, whereby companies receive a bonus (lower fee) for products and services that are more circular, while companies with more linear products and services pay a levy (higher fee).

5. Finally, to help EU Member States enforce product policy and warrant sustainability standards, Ecopreneur.eu strongly advocates a **reinforcement of effective market surveillance mechanisms, harmonised third-party certification and inspection measures for imported goods**, including random checks and high fines in case of transgressions.

We strongly advise the European Commission to make the Sustainable Product Initiative coherent with other regulatory initiatives and revisions, such as the sustainable textiles and chemicals strategies, policies regarding construction products, ecodesign and energy efficiency labelling, and waste regulation, for example, to make sure EU Legislation is coherent and supports the principle of free movement of goods within the Common Market. To avoid market fragmentation, the Initiative should also strive toward harmonisation of policies at EU national level, especially those accelerating the transition towards a circular economy, such as harmonised EPR schemes.

About Ecopreneur.eu

Ecopreneur.eu is the European Sustainable Business Federation of currently seven national associations representing over 3000 sustainable companies - mostly SMEs. We show best practice examples, bring concrete experience from our companies into the political debate and represent their needs. Ecopreneur.eu is the only cross-sectoral EU business organisation advocating ambitious measures, rules and regulations to create a new framework for a sustainable circular economy.

(see next page for Annex)

Annex 1 – Input for Sustainability principles

As input for establishing EU sustainability principles, Ecopreneur.eu offers the following principles that are used by some of our member organisations, that ask their company members to commit to achieving the following:

A. The Offer:

1. You are selling a product or services that have a positive impact on environment and social dimension

B. The Business process:

2. You control and minimise the negative impacts of your activities (like energy consumption, waste, pollution, CO2 footprint...)
3. You have a plan to decrease and suppress your negative emissions (e.g. no fossil fuel, zero waste, zero CO2 emission)
4. You have a structured procurement process to select your business partners according to their sustainability level
5. You give priority to short circuit buying with local players (vs multinational global players)

C. Your attitude towards environmental and social challenges:

6. You are challenging the "business as usual rules" considering our climate change and environmental challenges
7. You are active in the "new economy" with concepts like circular economy, Donut Economy, "functional economy", social economy, blue economy, cradle-to-cradle™
8. You are not involved in the sectors fossil fuel, nuclear, games, narcotics (drugs), tobacco, weapons
9. You are involving your staff in your company governance
10. You are actively involving low qualification / Professional integration of low skills, low revenue, precarious population