

Position Paper

European Sustainable Product Initiative should support SMEs in switching to circular models

This position paper provides feedback to a [public consultation](#) by the European Commission about the Sustainable Product Initiative (SPI) and related proposals published on 30 March 2022

Brussels, 22 June 2022 - Ecopreneur.eu highly welcomes the European Commission's proposal for a European Sustainable Product Initiative (SPI), including an extended Ecodesign for Sustainable Products Regulation (ESPR) and Digital Product Passport (DPP), but calls for six additional policy measures to make the Initiative work for SMEs.

Ecopreneur.eu, the European Sustainable Business Federation, **welcomes** the new proposals for meeting several key elements Ecopreneur.eu and our partners have been advocating for since many years, including minimum **ecodesign requirements** for all resource-intensive product groups, a **digital product passport**, a ban on the destruction of unsold consumer products, **mandatory green public procurement** and **enhanced labelling rules**. We equally welcome the SPI's commitment to enhance the **durability, reusability, upgradability, reparability, remanufacturing** and **recycling of products**, the uptake of **recycled content**, and the reduction of substances that compromise circularity.

Moreover, we strongly support financial incentives like **Extended Producer Responsibility (EPR) with eco-modulation of fees**, the reinforcement of **market surveillance mechanisms** and the development of **European Circular Business Hubs** to facilitate and promote the uptake of circular business models through channelling information and services, awareness building, cooperation, training and the exchange of best practices between stakeholders.

However, we are missing emphasis on the need for **reducing consumption and resource use** in absolute terms and the **social dimension of sustainability**.

Six additional measures required to make the SPI work for SMEs

Considering the importance of SMEs in general and of sustainable frontrunners in particular, combined with their joint responsibility for 60% of pollution, there will be **no transition to a sustainable economy without SMEs**. At the same time, many SMEs lack the capacity and support to make this transition. We therefore advocate complementing the SPI with several key policy measures that will be crucial to make the Initiative work:

1. To support SMEs, the new **European Circular Business Hub needs strong regional presence across the EU**. The EU should therefore financially stimulate all Member States to found regional circular business hubs operating at a scale at which SMEs and support staff can travel – like one hub in each of the 16 German *Bundesländer*, for example. Each hub should promote collaboration and advocacy, offer education, training, information and awareness, provide business tools and support,

including SME vouchers, and facilitate collaboration at the EU level.¹ **Ecopreneur.eu is prepared to help developing these hubs.** Strong support for SMEs is also needed to provide them with user-friendly and affordable tools, assistance, capacity building to perform a full-chain Product Environmental Footprint (PEF), Life Cycle Assessment (LCA) or Life Cycle Sustainability Assessment (LCSA) for each end product. PEFs should not be mandatory for SMEs unless this support is realised. Ecopreneur.eu is working with the ORIENTING.EU consortium to develop an SME friendly LCSA method.

2. The proposal fails to reference **True Pricing** and True Cost Accounting as the basis for financial incentives. These incentives are needed to create a level playing field for competition on sustainable design. Without them, the SPI would only prevent the worst products from entering the EU market. For instance, while we welcome the proposal for mandatory green public procurement, it still falls short of measures that would **prevent member states from declaring an issued procurement contract to be “green”** even though it was awarded for price reasons only – which is common practice, unfortunately.

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).

In addition, Ecopreneur.eu calls for **carbon pricing, a tax shift from labour to pollution and resource use**, Member states introducing **low VAT rates** for solar panels, waste management, bicycles, healthy food products, repair services, resold goods and transactions with clearly defined social reasons, and opening the EU VAT Directive further to allow member states to differentiate VAT rates on the basis of circularity and sustainability. To end unfair competition from abroad, we also advocate **extending the Carbon Border Adjustment Mechanism (CBAM) to all sectors** and product groups subject to imports from outside the EU.

3. **Administrative burden should be minimised.** We stress the need for an **SME impact assessment at the end of the policy making process** for the SPI, ensuring that any additional administrative burden of new or amended regulations (such as the ESPR and DPP) will be put on all companies and not only on SMEs or companies delivering green products and services. Without such impact assessment, the amended proposals run the risk of introducing additional red tape for SMEs, especially green ones. Many sustainable SMEs already suffer from an unlevel playing field, additional administrative burden and higher costs from obtaining a green label or certificates like “Cradle-to-Cradle”, for example, on top of other requirements like REACH. Additional red tape will decrease the access to finance for green companies and especially for green SMEs. Many of them will not be able

¹ <https://ecopreneur.eu/2020/09/10/ecopreneur-eu-advocates-cahs/>

to meet the requirements from investors for even more red tape. Such negative effects should be prevented by a second impact assessment.

4. **Digital Product Passports (DPP) need to build on existing standards and tools** such as the Environmental Product Declarations (EPD) 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, reparability and end- of-life treatment, and links to relevant external data sources. The system should be secure and **easy to use for SMEs**, with the possibility to enter data in their **own language in one go** by connecting the DPP with other relevant databases.
5. The sales of **second-hand goods from the EU market needs to be excluded from the minimum requirements** 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. The requirements for products should also 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.
6. Member States need to substantially increase **market surveillance** and introduce adequate and **harmonised rules on penalties** applicable to infringements of the provisions of the regulation.

About Ecopreneur.eu

Ecopreneur.eu is the European Sustainable Business Federation of currently seven national associations representing about 3000 sustainable companies - mostly SMEs. A member of the Coordination Group of the European Circular Economy Stakeholder Platform, Ecopreneur.eu is the only cross-sectoral EU business organisation committed to ambitious measures, rules and regulations for a low-carbon circular economy. We advocate a new economic framework in which sustainability is promoted, the environment respected, and ecological principles are followed. Ecopreneur.eu and our members bring concrete experience from pioneering companies into the political debate, show best practice examples and represent the needs of green SMEs in a credible way.

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