

European Commission Consultation on the Circular Economy

Position paper from WRAP

Executive Summary

1. WRAP (the Waste and Resources Action Programme) welcomes the opportunity to provide a response to the European Commission's Public Consultation on the Circular Economy, launched on 28 May 2015. We have answered the Commission's multiple choice questionnaire online, as requested. This position paper, which will be uploaded alongside our questionnaire response, sets out our top three priorities for the revised circular economy package.
2. Our three priorities, which we expand on below, are as follows:
 - The need for an EU Vision, based on whole-systems thinking;
 - The need for EU-wide action on food, including food waste; and
 - The need for EU action to encourage greater use of Resource Efficient Business Models.
3. WRAP is a registered UK charity which works with governments across the UK, EU and beyond to deliver change across the waste and resource efficiency agenda. WRAP's vision is a world where resources are used sustainably. Our mission is to accelerate the move to a sustainable, resource-efficient economy through:
 - re-inventing how we design, produce and sell products;
 - re-thinking how we use and consume products; and
 - re-defining what is possible through re-use and recycling.
4. We would be happy to expand on any of the points below if that would be helpful.

The need for an EU Vision, based on whole-systems thinking

5. When the Commission announced in December 2014 that it would be withdrawing the previous Circular Economy package, it stated that this would be replaced by a 'new, more ambitious proposal'. For WRAP, the starting point for such a proposal should be a vision of what Europe could be like by 2025 if ambitious action is taken to create a more circular economy across the EU, based on a holistic, whole-systems thinking approach.
6. Such a vision should, in WRAP's view, paint a picture of what we will expect to be normal practice by 2025 in terms of such issues as:
 - Supply chains – collaboration to address systemic issues;
 - Products – designed for durability, reparability, recyclability, etc.;
 - Priority materials (e.g. food) – all Member States are measuring, preventing, reusing and recycling;
 - Disposal – all Member States are phasing out disposal of recyclable materials.

7. WRAP has previously developed an EU Vision for 2020¹, which estimates that if the EU moved to a more circular economy, the economic and environmental benefits by 2020 could be very significant, including:

- 110 billion euro increase in the EU trade balance;
- 400 billion euro in cost savings;
- 160,000 jobs created;
- 500 million tonnes of greenhouse gases avoided;
- 190 million tonnes less in extracted raw materials & imported goods used;
- 220 million tonnes less waste produced; and
- 350 million tonnes more materials recycled.

8. We recognise that there are many challenges to implementing such a vision across the entire EU at present, including the widely varying performance of the EU-28 Member States on waste issues, and the different demographics, priorities, standards and infrastructure that underlie these variances.

9. However, we believe that having a clear EU-wide vision in place would enable the revised circular economy package to focus on the most important issues and to propose actions that are congruent to the scale of the challenges.

10. We would suggest that the divergence in performance between Member States can at least partially be addressed through the sharing of best practice. For example, the UK transformed its waste management performance over the decade from 2000 to 2010, more than trebling its municipal waste recycling rate (from 12% to 37%) through a combination of policy, regulation, voluntary agreements, infrastructure investment, behaviour change campaigns and a market-based approach to driving demand for recycled materials. The lessons we learned over that time could be very relevant to those Member States who are currently still landfilling a majority of their waste, and we would be happy to work with the Commission to share this best practice information.

11. The vision should also be based on a holistic, whole-systems thinking approach which allows the most effective actions to be identified at the right point in a product life cycle, and encourages collaboration across supply chains, as WRAP has done in the UK through the Courtauld Commitment² and our other voluntary agreements. A number of actions could be adopted at EU level to support such an approach. We highlight two below.

Rethinking Extended Producer Responsibility

12. Extended Producer Responsibility (EPR), either voluntary or mandatory, is widely implemented across Europe but tends to focus on recovering a certain proportion of products at the end of life. We believe that EPR should be broadened beyond recovery at end of life to focus on supporting other aspects of the Circular Economy, such as a

¹ www.wrap.org.uk/content/eu-vision-2020 .

² www.wrap.org.uk/category/initiatives/courtauld-commitment

reduction in waste at significant points in the product life (e.g. consumer food waste), establishing targets for recycled content, a relative increase in minimum lifetime specifications (e.g. number of cycles/uses/hours service) or other design changes. Priorities for EPR, either voluntary or mandatory, could be informed by the EU's research into the environmental impact of products³. Stronger links to the EcoDesign Directive and Product Environmental Footprinting initiative could also strengthen this approach.

Repackaging existing data

13. To monitor progress in developing a more circular economy, it will be necessary to compile data on products placed on the market, and economic data for sectors associated with key products and services, and identify the Gross Value Added (GVA) per unit of primary raw material entering that system. An increase in the ratio of GVA to the quantity of primary raw material will identify a system which is extracting more value from material resources, and could encourage the adoption of a more circular economy.

14. Data is already collected which would allow the Commission to highlight the benefits of taking a whole-chain approach to the circular economy. For example, sold production data is available for all EU Member States alongside import and export data. Standard Industrial Classification codes are available for the manufacture of electronic and electrical equipment, wholesale and specialised sale of such equipment, rental/leasing of such equipment, repair and dismantling. The relative size of activity in each subsector could be monitored to track changes in circularity, and the total GVA/employment could be monitored against primary raw material input to identify how effectively materials are being used across the economy. Whilst this approach has limitations, it would nonetheless be a potential step forward.

15. This approach would also allow benchmarking across EU Member States, identifying economies which make the most effective use of resources, allowing for the different composition of different economies.

16. The Commission could also ask Eurostat to compile data on product service systems and their associated resource use. Key sectors might include food & drink, electrical & electronic equipment & construction.

The need for EU-wide action on food, including food waste

17. When deciding which products and materials the revised EU Circular Economy package should address, we believe that the Commission should be guided by the evidence of the scale of the problem, and the potential for action to mitigate this.

18. On this basis, we believe that food, including food waste, should be a key priority for the package, due to the significant environmental impacts of the food sector and the large tonnage of food waste being created across Europe.

³ <http://ipts.jrc.ec.europa.eu/publications/pub.cfm?id=1429>

19. According to the Commission's own figures⁴, the European food sector has significant economic value, providing jobs to over 48 million Europeans and generating EUR 751 billion of added value, almost 6% of the EU's GDP. The same paper states that the UNEP International Resource Panel has concluded that agriculture and food consumption are the most important drivers of environmental pressures.

20. Although reliable data on food waste arisings is only available for a minority of EU Member States, the Commission has previously estimated that 89 million tonnes of food waste were generated across the EU-27 in 2006, increasing to around 100 million tonnes by 2013. The Commission paper quoted previously suggests that, at a global level, food waste may represent around 3-5% of total global warming impacts, more than 20% of biodiversity pressure and close to 30% of all of the world's agricultural land.

21. Given the scale of these impacts, and the pan-EU nature of the European food industry, we believe that food waste should be a priority area for action, both at individual Member State level and within the revised EU circular economy package. We therefore welcome the recent publication, by the House of Lords' EU Committee within the UK Parliament, of a 'Green Card' on food waste⁵. This document also references the FP7-funded FUSIONS project⁶, of which WRAP is a partner.

22. We believe that the package should encourage every Member State to:

- develop an accurate measurement of their current food waste arisings, both in total and by sector, to provide a baseline for future action;
- focus on food waste prevention actions; and
- recognise the holistic nature of the problem, and the need for action from all sectors of society, including government, business and consumers.

23. The UK started acting to cut food waste in 2007, and has had significant success in addressing the issue, including a 21% reduction in avoidable food waste between 2007 and 2012. We would be happy to share what we have learned with the Commission and with other Member States.

The need for EU action to encourage greater use of Resource Efficient Business Models

24. Resource Efficient Business Models (REBMs) extract greater value from products by using them more intensively, extending their lifetime or enabling them to be re-used, increasing business resilience and reducing resource dependency.

⁴ Commission Staff Working Document SWD (2014) 289 final

⁵ www.parliament.uk/business/committees/committees-a-z/lords-select/eu-select-committee-/news-parliament-2015/green-card-food-waste-issued/

⁶ www.eu-fusions.org

25. The Ellen MacArthur Foundation paper *Growth Within: A circular economy vision for a competitive Europe*⁷ (co-authored by McKinsey and SUN) identifies that through adopting circular economy principles (of which REBMs are a key one for business), Europe could take advantage of the impending technology revolution to create €0.9 trillion more value than in the current linear development path by 2030. This would be accompanied by better societal outcomes including an average increase of €3,000 in household income, and a halving of carbon dioxide emissions compared with current levels.

26. Recent research from WRAP has also identified that the adoption of new REBMs has the potential to create jobs that are distributed across EU Member States and which help to reduce structural mismatch in the higher unemployment regions of Europe.

27. Many of the enablers for the adoption of REBMs already exist. Although we recognise that fiscal levers are in the hands of Member States rather than the Commission, the EU nonetheless has an important role in encouraging the transition to REBMs and could take a number of steps to incentivise the adoption of such business models, including:

- Enabling finance: ING bank considers the circular economy the ultimate answer to economic scarcity of resources and planetary boundaries⁸. They identify that different forms of capital are required to finance different REBMs, with the timing of cash flows a particular issue in leasing models for example. The EU could encourage financial institutions to provide the right finance for circular business propositions by providing them with guidance through the European Banking Authority, and could ensure that the right finance is promoted through the European Small Business Portal⁹.
- Green Public Procurement: encouraging the public sector to procure services rather than products could help develop markets for the circular economy. This would align with better economic outcomes for the public sector, and could be incorporated in the Life Cycle Costing tool due to be published in 2016¹⁰.
- R&D focussing on behavioural insights: the use of EU R&D funding mechanisms to understand what would motivate individuals to engage in REBMs would enable the market to be better understood, and in turn could help identify key opportunities for the private sector.

28. WRAP is working with colleagues across Europe to demonstrate the value of REBMs through the LIFE+ funded REBus project¹¹. We would be happy to share the learnings of that project with the Commission.

⁷ www.ellenmacarthurfoundation.org/news/latest-research-reveals-more-growth-jobs-and-competitiveness-with-a-circular-economy

⁸ ING Bank (2015) Rethinking finance in a circular economy, www.ing.com/About-us/Our-stories/Features/Circular-economy-challenges-financial-business-models.htm

⁹ http://ec.europa.eu/small-business/finance/index_en.htm

¹⁰ http://ec.europa.eu/environment/gpp/index_en.htm

¹¹ www.wrap.org.uk/content/rebus

Submitted by:

Dr Liz Goodwin OBE
Chief Executive, WRAP
Second Floor, Blenheim Court, 19 George Street, Banbury
Oxon OX16 5BH, UNITED KINGDOM.
+44 (0)1295 819900
Liz.Goodwin@wrap.org.uk

20 August 2015