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ROADMAP FOR EU PRODUCT POLICY- CREATING A MARKET FOR CIRCULARITY

Continuously improving the performance and overall sustainability of products, striving for excellence and making the consumer enjoy the benefits of competing, innovative, cutting-edge technology solutions targeted to his needs are core competences of the European technology industries represented by [Orgalime](http://www.orgalime.org).

And for good reason: as a global industry with many European technology champions, we withstand harsh global competition through quality, performance, innovation and skills. Europe can be proud of its engineering and tech companies that globally lead in for example as critical areas as material, productivity and energy efficiency innovation, or other resource efficiency technologies, such as waste treatment or water treatment technologies. This means that there is also an important business case for well-designed policy action and for helping to build a competitive market for circularity, where ever more efficient, digitally enabled products and services will optimise the use of our resources throughout the economy.

The regulatory framework sets important boundary conditions for innovation, including at the product level. For our sector, EU product legislation addresses many different aspects, ranging from for example the safety of the product, its technical capabilities and functionalities, up to its environmental or energy related performances. Concrete policy instruments, to name but a few, include the Low-Voltage Directive, the Machinery Directive, the Ecodesign, WEEE and RoHS Directives or the REACH Regulation. Notwithstanding some potential for improving coherence and consistency, the regulatory product policy framework for the European technology industries is sound and comprehensive.

Considering increasing pressures on global resources, the planet's carrying capacity and Europe's commitment to lead the implementation of the Paris Agreement, "*creating more with the same or less*" or "*delivering greater value with the same or less input*" will in our view be the key challenge and at the same time the key opportunity for Europe.

And there is good news: digitalisation opens up new dimensions for optimising the use of resources throughout the economy where products are (globally) connected, integrated into systems (such as buildings, transport, industry or energy infrastructures) and ever more customised and individualised while produced in lower volumes. Europe can lead in this ongoing transformation stemming from the fusion of data and physical assets through its manufacturing strength. At the same time this generates overall welfare and prosperity, jobs and sustainable growth next to global competitiveness of EU industries.

These new market realities and trends bring new challenges for EU product regulation to remain relevant and up to date: Organising ourselves for **the "eco-operation of systems"** and **effective management and optimisation of the use of our resources**, be they energy, raw materials, water, chemicals or other, **throughout the life cycle and throughout the economy** should be Europe's priority – in the end, the best resource remains the one that is not used at all.

Orgalime, the European Technology Industries, speaks for 42 trade federations of the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs nearly 11 million people in the EU and in 2016 accounted for some €2,000 billion of output. The industry represents over a quarter of the output of manufactured products and over a third of the manufactured exports of the European Union.

How can the EU's policy framework best answer these new realities and challenges?

To ensure a win-win approach that will protect the environment, ensure consumer benefits and safeguard the competitiveness of European industry, **we first of all need clear and consistent objectives throughout the different EU policy strands and these objectives need to work hand in hand with incentives.** Today, retail markets do not sufficiently reward the circularity potential already embedded in products.

Facilitation should be prioritised over regulatory intervention: creating consumer demand for circular products, developing appropriate business models and rewarding them, using incentives such as tax incentives or public procurement, are all stimulating the next step, namely **a market driven circular economy with market oriented instruments.**

When looking at product regulation in our sector, the **New Legislative Framework (NLF) remains the most efficient and successful tool:** the same, fully harmonised requirements apply throughout all Member States and guarantee that products can move freely across Member States in the EU's internal market, which is one of the EU's key achievements. And the NLF also provides the necessary flexibility for companies to find competing technology solutions to reach agreed targets. Where new regulation is justified by scientific evidence, **NLF-type legislation should be prioritised over traditional command and control legislation** that in times of digitalisation risks to be already outdated when adopted. This has been confirmed by the implementation of the Ecodesign Directive in recent times.

What we also see is that the **needs and contributions of capital goods (B2B products) and consumer products (B2C) to the circular economy are very different.** The focus of B2B products is on longer term investment and on average higher value products, which benefit from a circular economy perspective through for example leasing models. In the B2C market, however, and despite producers' experiments with new business models, such as leasing, renting or sharing, the consumer continues basing his buying decision primarily on the initial product price, while demands can differ vastly depending on individual living conditions and expectations. We need to separate the two and **distinguish B2B and B2C** whenever designing regulation that shall deliver.

The [Ecodesign Directive](#) is and should remain, the EU's harmonised environmental product policy tool for our sector. It has delivered, for the consumer, the industry and the planet through its holistic approach of "*minimising life cycle impacts*", "*based on scientific evidence*", "*at least life cycle cost*" and "*setting measurable, enforceable requirements case by case*" in "*big saving areas*". In addition, the Ecodesign Directive is consistent with the NLF. It particularly embeds NLF thinking through the **possibility of setting so-called "generic ecodesign requirements" according to annex I of the Directive.** These should be given a renewed look whenever considering product specific resource efficiency ecodesign requirements. The ongoing development of material efficiency standards by European standardisation organisations is also actively supported by our industry. Product specific harmonised EU standards are highly relevant for a successful implementation.

Should the scope of the existing Ecodesign Directive be extended beyond energy related products (ErP) to more and/or to all products, the existing framework of the Ecodesign Directive must be maintained for ErP to guarantee legal certainty, investment certainty, and confidence and trust in the market in the ongoing implementation. A separate instrument for other products, which could take the Ecodesign Directive as a model, may be more suitable in such a scenario.

The increasing call for more **product transparency** and information on material contents of products and other product characteristics is a true challenge for producers: their number-one concern understandably remains that their confidential business know-how and trade secrets would be served on a plate to their competitors.

Also in the digital age, producers need to be able to protect their intellectual property rights and confidential business information, while in industrial networks, enterprises must be able to decide and to negotiate to what extent and under which conditions they share data.

Building trusted partnerships is the issue. The principle of “freedom of contract” will remain relevant for organising the data exchange and flow of data between companies also in digital times.

Information on product characteristics to the consumer on the other hand **must be meaningful, easy to understand, reliable and comparable**. The Commission’s product environment footprint methodology (PEF), as now also confirmed by the undertaken pilots, does not represent a reliable tool for creating demand for “better and greener products” in the EU. It risks that consumers base their buying decisions on misleading information and that companies are exposed to unfair competition and market distortion.

There is however room to **improve the consistency and coherence of existing environmental product legislation**. How to improve, we have been explaining in our [position on the interface between EU chemicals, waste and product policies](#) and this should be looked at in the follow up to this Roadmap.

Last but not least, considering our sectors global supply chain, we need to look at **trade and development policy to promote our European values and objectives**. These are powerful tools for providing a level playing field in which products manufactured in the EU and imported goods compete fairly with each other.

Conclusions

“There is no planet B”, thus managing our actions within the planetary boundaries and in particular optimising the way we use our resources throughout the economy and society is without alternative for all of us, and the good news is, that this holistic, systemic approach brings multiple benefits to citizens, the planet and also the industry. “Building a sustainable society” is the challenge but indispensable if we wish to drive businesses to deliver more circular and overall sustainable products that fit into this new setting.

The European technology industries stand ready to continue providing innovative, cutting-edge technology solutions to this challenge. Clear and consistent objectives and combining them with incentives should be at the core of the EU’s product policy framework to be future proof and support the market driven circular economy with market oriented instruments.

European technology industries remain committed to be a serious partner in the implementation of the Ecodesign Directive through fully harmonised, measurable and enforceable product requirements that prove to deliver environmental results and that are followed up by proper market surveillance and enforcement. The latter, to our concern, remains one of the weakest links in EU product policy today.

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