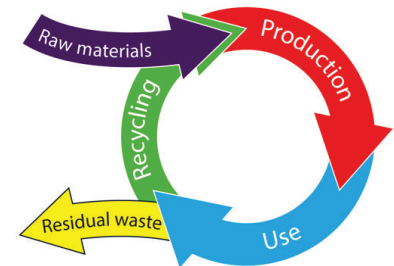


## **Contribution of the Netherlands for a broader and more ambitious Circular Economy Package**

The transition towards a Circular Economy is necessary to anticipate the ecological challenges of the 21<sup>st</sup> century due to natural resource degradation and climate change. A key strategy to achieve this transition is resource-efficiency, which also creates economic opportunities and offers solutions to deal with (supply chain) risk management. The Circular Economy Package thus contributes to our society's resilience and the competitiveness of Europe's industry.

With this position paper, the Netherlands wishes to provide input for the new proposal for a Circular Economy Package, in response to the European Commission's announcement to publish a new and more ambitious proposal. The Netherlands consider this is an opportunity to improve and strengthen the package by addressing aspects that were previously insufficiently addressed, and to develop a more integrated approach of the European policy for circular economy, security of supply of critical raw materials and resource efficiency. The Netherlands, therefore welcomes a broader and more ambitious proposal by the end of the year, in which key elements of the current proposal are likely to return and which incorporates the milestones of the Roadmap to a Resource Efficient Europe. The transition towards a circular economy demands a system change of technical, institutional and cultural transformation. It requires a holistic and integrated policy framework that triggers both technological and non-technological research, development and innovations. Such a framework should be accompanied by clear and consistent legislation to enable public and private actors across the EU to develop future-oriented strategies and plan long-term investments focusing on sustainable sourcing, sustainable production (Ecodesign), sustainable consumption, waste prevention, reuse and recycling and security of supply.

The following describes the initial vision of the Netherlands regarding the main elements for a new Circular Economy package. The elements are discussed in order of 1) what aspects the package should address (the what), 2) using which instruments they should be addressed (the how), and finally 3) how we will ensure progress. The Netherlands would furthermore like to offer the Commission support in the development of the new package and would be pleased to elaborate on the elements presented below and share and discuss further ideas.



### **1. A Circular Economy Package that address the entire circle**

For a transition to a circular economy a wide array of measures is needed throughout the entire circle, from the extraction of raw materials to recycling. Therefore, besides proposals to improve waste management, the Package should also include proposals for sustainable sourcing, waste prevention and reuse, and resource security.

#### **1.1. Sustainable Sourcing**

Natural capital forms the foundation for all economic activity. To limit the environmental impact on ecosystems and ensure sustainable supply, it is therefore essential to stimulate sustainable trade and the market for sustainable primary resources. This can be achieved by developing standards for sustainable sourcing of raw materials and by facilitating public private partnerships, multi-stakeholder schemes and supply chain initiatives (such as the Sustainable Trade Initiative).

#### **1.2. Sustainable Production and Consumption**

- *Improving the sustainability and resource-efficiency of product design.* The Package should introduce proposals for broadening the Ecodesign Directive and include dynamic product standards for all products with environmental impact, not only energy consuming appliances. In addition, the Ecodesign Directive should aim to improve material efficiency as well, addressing aspects such as reusability, reparability, recyclability, recycled content, recoverability, upgradeability and durability of products.

- *Better integrated product policy.* Based on past experiences, the new Circular Economy package should identify ways to enhance, streamline and optimize the current set of instruments to provide a more integrated and coherent European policy framework for more sustainable products that have a lower ecological footprint.
- *Improving transparency* in the market for sustainable products and services (incl. maintenance, reuse and refurbishment activities). This means ambitious follow-up on the Communication on a Single Market for Green Products and further development of the Product and Organisation Environmental Footprinting project, to harmonise sustainability labels, improve consumer communication and prevent misleading green claims.
- *Stimulate more sustainable consumption patterns:* consumers are key to a socio-economic transition. The Circular Economy Package should also strive to enable consumers and producers to make better choices, resulting in a higher demand for sustainable products, an increase in sustainable lifestyles and sustainable diets, and consequently a race-to-the-top in the supply side of the market by companies. Furthermore, public authorities also play an important part through sustainable procurement. Assessment of consumption patterns in relation to sustainability should therefore be stimulated and harmonized.

### 1.3. Improving Waste Management

Waste legislation is an integral part of the Circular Economy package. The current framework is however not entirely suitable to stimulate the transition towards a circular economy and can be improved in many ways. Besides raising the ambition level, important elements include clear and harmonized definitions (e.g. municipal waste, food waste), improved monitoring and reporting, extended producer responsibility and easier international transport of (safe) secondary materials. A new approach to the concept of 'waste' is needed to facilitate private initiatives based on the philosophy 'from waste to resource'. Production residues should in some cases be qualified as by-products or as a resource for new products instead of waste (e.g. animal by-products), and for certain waste streams end-of-waste criteria should be developed (with environmental protection and public safety in mind). The practical implementation of waste legislation can more effectively be based on the actual risk of illegal disposal. The legislative framework should encourage more re-use and 'upcycling' (high quality recycling) instead of 'downcycling' and incineration. Furthermore, as in the recent waste package it should strive to eliminate the land filling of recyclable materials. In revising the waste legislation, sufficient consideration should be given to relating policy domains, such as REACH, renewable energy, fertilizers, animal feed and animal byproducts, in order to ensure policy coherence.

### 1.4. Resource security

For the EU to become more resource independent, it is necessary to identify resource vulnerabilities, limit the exposure to risks of supply and increase resource efficiency. The existing EU policies for resources, mainly 1) circular economy (e.g. the Circular Economy package and the Bioeconomy for Europe), 2) resource efficiency (e.g. a Resource Efficient Europe) and 3) resource security (e.g. the Raw Materials Initiative), are currently insufficiently integrated. Streamlining industrial policy within other EU policies is of pivotal importance, to raise productivity, integrity and sustainability of the EU industry. Streamlining and incorporating industrial policy with Resource efficiency and a circular economy is therefore of key interest. The Netherlands believes that an appropriate integration of these policies could enable them to act mutually reinforcing, allow the potential of a circular economy to accelerate the desired industrial revolution, and secure and strengthen the EU's competitive position. For instance, the Netherlands is carrying out a quantitative analysis on supply vulnerabilities of certain metals and minerals as well as biotic resources, in order to relate these to opportunities for recycling and resource efficiency.

## **2. Introducing market incentives and removing regulatory barriers for sustainable innovations**

The transition towards a circular economy requires a major role to be played by the private sector and creates opportunities for business development and thus green growth. To facilitate the private

sector in taking its part an enabling environment should be created for research and development and innovation, through directed funding, but also for wide scale implementation through smarter regulation, and application of the notion 'the polluter pays'.

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#### 2.1. Stimulate investments in innovation and new business models

A new package should encourage mainstream adoption of best available practices and circular business models. Frontrunners should be promoted, while companies that lag behind should be pushed to improve. It should therefore include proposals to adjust existing EU instruments, funds and subsidies in order to boost investment in sustainable innovation and new business models. For instance through a new system of dynamic standard-setting regularly adapted to proven best practices for products and processes, avoiding lock-in at previous levels of environmental performance (e.g. Japanese Top-Runner approach and other examples). Knowledge and experience on best practices should be disseminated by promoting shared learning among companies, establishing knowledge platforms and encouraging and encouraging multi-stakeholder alliances. These should also address resource vulnerabilities to ensure the EU's resource independence. Lastly, sufficient EU funds and subsidies should be available for societally challenging and economically risky R&D with high potential for system changes towards circularity and sustainability, but also for market introduction and up scaling of sustainable innovations.

#### 2.2. Price incentives

To incentivize sustainable investments it is important to incorporate external costs into the economic system. Environmental costs should be internalized in primary production. Also reuse and recycling (the secondary materials market) should be stimulated through market based instruments.

Furthermore, a plan and timetable should be developed to phase out of environmentally harmful subsidies. This should be based upon a clear EU level definition on what is meant by the term, and should assess each case individually in order to ensure the initial purpose of the subsidies is guaranteed.

#### 2.3. Removing EU-wide barriers and regulatory obstacles

The current EU regulatory framework does not always take into account innovations and new developments. Frontrunners and circular business cases are sometimes hampered by regulatory constraints. By identifying and addressing these obstacles, by developing smart and result-oriented regulation and by creating room for experimentation, a more enabling environment is created for innovative companies. Modernization and simplification of EU regulations are needed to ease the administrative burden for companies. A critical assessment is also needed of obstacles created by existing regulation other than waste, for instance certain sectoral legislation which cause entry barriers for new products and applications (e.g. REACH; Novel foods regulation; Fertilizer Regulation, Nitrates directive; Hygiene Regulations).

### **3. Greening the European Semester**

Within the current framework of the European Semester green growth is addressed using the 2020 objectives for reduction of greenhouse gas emissions, an increased share of renewable energy and increased energy efficiency. To ensure continuity of the 2020 framework, the Netherlands believes that for the period up to 2020 it is important to continue with these three objectives. However in light of the EU's efforts to become more resource independent and to initiate the transition to a circular economy, in the European Semester more attention and emphasis should be placed on sustainability and resource productivity. With a view to the period beyond 2020 an adjustment of the European Semester could be explored to monitor the progress of green growth. This should be accomplished by generating more information on the use of natural resources, their vulnerability and their environmental impact on the basis of an appropriate set of indicators as referred to in the Council Conclusions of October 2014.

#### **4. A governance system based on monitoring and reporting**

Along the lines of what will become the governance system of the 2030 Climate and Energy framework, the transition to a circular economy would also need an integrated governance and monitoring process to ensure that all policies and measures at European, regional, national and local level contribute to the set objectives. This governance system should:

- Adjust policies, measures and actions for circular economy in an overarching framework, resulting in long-term policy coherence and providing investors long term certainty.
- Secure delivery on existing and new targets for recycling and other aspects that facilitate the transition to a circular economy.
- Identify and assess resource vulnerabilities (metals and minerals as well as biotic resources) and establish appropriate options to ensure sustainable resource security.
- Keep track of progress through an appropriate system of monitoring and reporting activities and using appropriate and comprehensive indicators which reflect the true environmental impact of resources used (including land, water and CO2 emissions).