Analysis of the EU's March 2022 Circular Economy Package by CLG Europe's Materials and Products Taskforce

1 June – Analysis from Taskforce for climate neutral and circular materials and products finds that the initiatives included in the Circular Economy Package are to be welcomed as broadly positive in their likely impacts in enabling business to develop more sustainable material use and climate action by them and consumers. At the same time, additional clarity or further policy measures in certain areas are necessary to fulfil the Package's potential for greater ambition and progress on the transition to a climate neutral economy through competitive sustainability.

A summary of the analysis

The use of ecodesign as a basis for the **Ecodesign for Sustainable Products Regulation** ensures a tried-and-tested policy framework to improve sustainability in the lifecycle of products. Although the current proposal is only a framework, we can already see how setting limits on embedded carbon, that will progressively decrease over time, can drive investments in new sustainable technologies in Europe.

The regulation introduces the use of digital product passports for products. A successfully implemented passport will allow greater tracking through the supply chain, as well as greater transparency for consumers in terms of the levels of carbon emissions during the creation of the products they purchase, and throughout its life cycle.

The **Review of the Construction Products Regulation** aims to establish better information flows especially through digital means that could have the potential to improve transparency and efficiency. The revision also puts forward the requirement that manufacturers should precisely identify "construction products and their intended use" to help create greater transparency for users. We welcome this revision, and would like to see a clearer timeline of the implementation of the file, as well as details on how this revision can support greater sustainability at building level, where there is a lack of a clear passporting requirement.

The **Empowering Consumers initiative** addresses the key issue of greenwashing and misleading consumers. Eliminating greenwashing is key to ensuring a level playing field for businesses and empowering consumers. However, it is unclear how this initiative will work in practice, and more clarity will be needed on definitions for instance.

The **Strategy for Sustainable and Circular Textiles** is a positive development and will be a key test case on how ecodesign principles can be implemented on a sector which is still nascent in its approach to circularity. Whilst this is a positive new step, additional policies are still needed, beyond the elements included in the Circular Economy Package, to build greater circularity in the textiles sector.

Background

On 30 March, the European Commission introduced its first Circular Economy Package of 2022. It introduces four pieces of legislation:

1. The Ecodesign for Sustainable Products Regulation;
2. The Review of the Construction Product Regulation;
3. the EU Strategy for Sustainable and Circular Textiles;
4. Empower Consumers for a Green Transition legislation.

The Taskforce for climate neutral and circular materials and products,[1] a cross-sectoral progressive group of leading businesses working to accelerate the transition to a climate neutral Europe, backs the key objectives as set out in the EU Green Deal and the Circular Economy Action Plan and therefore welcomes this new Circular Economy package.

Following the release of the Package, we published our Rapid Reaction,[2] which set out our initial responses to the four pieces of legislation covered in the Circular Economy Package. We also held a high-level event,[3] which highlighted agreement across policymakers and businesses that such initiatives were not only welcomed but highly needed.

The Russian invasion of Ukraine has not only caused untold human suffering, but also precipitated widespread international condemnation and a re-assessment of relations between the EU and its partners with Russia, with profound long-term, global ramifications. Investing in the circular economy is also investing in our collective security and independence. We believe it is more important than ever before to support more circular practices to reduce the demand for fossil fuel imports, not just for energy purposes but also materials, whilst also allowing us to live more self-sufficiently.

Why a Circular Economy is needed

By 2050, the global population is expected to be consuming resources at a rate three times higher than the Earth can replenish. Global consumption of raw materials such as fossil fuels, metals and minerals is expected to double by 2060, while annual waste generation is projected to increase by 70 per cent by 2050. Production, consumption and waste linked to products are responsible for many types of pollution, including around 40 per cent of global greenhouse gas (GHG) emissions.[4] Achieving a climate neutral, circular and competitively sustainable economy requires changes to how we produce and consume products. To meet the EU's climate targets and sustainability aspirations, it is crucial to deliver on the green transition of energy-intensive and hard-to-abate industrial sectors.

Building a circular economy is essential to contribute to the EU's climate objectives. Circularity addresses embedded emissions in materials and products, an area which so far has received less attention. Material emissions represent 45% of emissions, a significant share as many products are fuelled through crude oil and natural gas. These ultimately release emissions into the atmosphere at the end of life (via biodegradation or incineration).[5]

Ecodesign for Sustainable Products Regulations

We see the ESPR as a unique opportunity to fully integrate embedded carbon emissions into the sustainable design of materials and chemicals, which would be a first globally. We welcome that the EU is now addressing the absence of policies tackling embedded emissions, the replacement of virgin fossil fuels in products, and incentives offered to the fossil fuel industry. The current landscape has made it difficult for innovative, low-carbon technologies and/or intermediate feedstocks to be cost-effective.

The Commission reported that a preliminary assessment showed that textiles, furniture, mattresses, tires, detergents, paints, lubricants, iron, steel, and aluminium may be suitable candidates for first measures. [6]

Although the current proposal is only a framework and each product groups will be tackled in delegated acts, we can already see how setting limits on embedded carbon, that will progressively decrease over time, can drive investments in new sustainable technologies in Europe.

The ESPR introduces the use of digital product passports (DPP) for products. This is a welcome expansion from early initiatives within batteries. A successfully implemented passport will allow greater tracking through the supply chain, as well as greater transparency for consumers in terms of the levels of carbon emissions during the creation of the products they purchase, and throughout its life cycle.

Nevertheless, supply chains can be complex, and these complexities vary from one sector to another, so this should be fully reflected in the implementation of DPPs. Implementation will indeed be critical. It is for this reason that the Taskforce is conducting research on the application of a DPP, and our report will be released in July.

As many of the details on specific measures will be developed through further delegated acts, the level of support of future innovation remains to be seen. Nonetheless, it must be highlighted that regulation in this space can drive lead markets and raise the bar for sustainable products in Europe, while building incentives for more circular processes and business practices.

We welcome the Commission proposed measures to monitor resources from pre- and post-consumer waste. Industry needs business incentives to recycle difficult end of life products, for example post-consumer scrap. As such, it is crucial that the policy framework supports recycling, for example by distinguishing between post- and pre-consumer scrap in their carbon accounting.

Key Policy Asks

- Sustainability requirements should be devised product by product and consider individual characteristics and specificities of products based on the best available evidence through impact assessments, and transparent and inclusive consultation of stakeholders.
- Greater emphasis on the benefit of the Digital Product Passport as a tool for greater transparency and innovation, with clear design implementation. The Digital Product Passport can support sustainable choices by industrial customers and consumers. The DPP will need to be balanced to provide transparency on environmental performance whilst not adding unnecessary red tape.

- As underlined by the Commission, it is important to link the ESPR with other climate initiatives to tackle the "embedded emissions of a product throughout its lifecycle".[7] A lifecycle approach is essential, and the ESPR framework should allow for the following:
    - Include embedded emissions under the carbon footprint criteria and allow for variation depending on contribution to overall emission reduction.
    - Set limits to the embedded virgin fossil carbon in a product, which would decrease over time to avoid embedded emissions further contributing to climate change. This would also support other EU objectives such as the 20% target for non-fossil chemicals and plastics under the Communication on Sustainable Carbon Cycles.
    - In areas such as chemicals, the ESPR should take a lifecycle approach including both sustainable sourcing of raw materials as well as end of life. This means that biodegradability as well as renewable or recycled feedstocks should be favoured and incentivised.
    - Delegated acts related in areas such as chemicals products should incorporate a methodology that includes carbon stored within a product (as well as the origin of that carbon), in relation with the upcoming proposal on substantiating green claims.

Review of the Construction Product Regulation

The Revision of the Construction Products Regulation (CPR) can play a key role in supporting greater measures for sustainability in the construction sector by addressing sectoral challenges such as the lack of single market for construction products, too complex regulatory and legal framework and the lack of alignment with the objectives of a green and digital transition.[8]

The proposal aims to support the objectives both the European Green Deal and the Circular Economy Action Plan. For instance, on creating safer construction products, it underlines that safety should be also understand in terms of environmental protection, including climate and stresses that manufacturers should comply with reaching a "fair level of environmental sustainability", both concerning manufacturing and products[9].

The revision aims to establish better information flows especially through digital means that could have the potential to improve transparency and efficiency.[10] The revision also puts forward the requirement that manufacturers should precisely identify "construction products and their intended use" to help create greater transparency for users. [11]

Furthermore, the revision sets out that it will be supplemented by delegated acts to establish labelling requirements concerning environmental sustainability, further supporting transparency for users. Overall while there are several incentives to strengthen transparency as showcased by the above examples, less information is available on the exact implementation.

Further to construction products, the proposal's scope entails 3D datasets linked to the construction products, 3D printed moulds and products in the sector as well as materials related to 3D-printing of construction products. 3D-printing could play an important role in creating less waste in the sector and increase efficiency[12]. Therefore, the inclusion of 3D-printing in the proposal is forward-looking and has the potential to support innovation and help create a resilient and future-proof construction sector.

Whilst a Digital Product Passport is not explicitly mentioned in the proposal, the European Commission have confirmed that the DPP for construction products will be made by a combination of a digitalised version of the existing Declaration of Performance and Declaration of Conformity which are both necessary for construction products to have the CE marking.

Key Policy Asks

- Greater alignment with the CPR and the ESPR in terms of regulatory principles, as well as greater alignment in how these fit into the wider aims of the green transition and building competitive sustainability.
- Greater detail on how the supplementary delegated acts will work in practice, and moreover how they will support the aims of the EU's climate goals. It will be key that this is kept at the forefront of the Commission's mind during the implementation phase.
- Clearer outline of the timeline of the CPR, as well as details on how this revision can support greater sustainability at building level. There is currently a lack of a DPP for buildings, which will lead to challenges due to a lack of data. This will inhibit the ability of shifting a building into a material bank, as well as how to make this happen in reality. The proposed Energy Performance in Buildings Directive is proposing lifecycle Global Warming Potential (GWP) to be required by 2030, which will accelerate the need for further data at product level.

- Further clarity on the governance and action plan, including what conditions delegated acts would be used, and how this will interact with the wider standardisation strategy. The European Commission will also need to plan on how to mobilise resources along with business to ensure that this ambition is reflected in practice.

Empower Consumers for a Green Transition

Consumers play a pivotal role in facilitating the green transition and are increasingly aware of their environmental impact. Consequently, enhanced transparency, consumer trust and rights will undoubtedly reinforce the Circular Economy though more sustainable consumption.

The proposal increases the protection of consumers against unfair commercial practices preventing them from sustainable purchases, such as greenwashing practices, early obsolescence practices and the use of unreliable or misleading sustainability labels and information tools.

We welcome the setting of a horizontal baseline of standards for sustainability information, whilst also looking to address the issue of loopholes and misleading labels which occur in this space. Nonetheless, as this is closely linked to the upcoming 'substantiating green claims' legislation, which is to be presented at the end of 2022, we note it is hard to gain a full picture of the measures the European Commission plans to propose.

The actual success of the measures will depend on the implementation and more clarity is still needed, for instance when it comes to definition and how they relate to existing ISO standards.

Policy Asks

- It is key that this piece of legislation and its implementation fits with the upcoming legislation, namely the 'substantiating Green Claims' legislation which will set out further information on the Product Environmental Footprint. Requirements will need to be coherent and understandable for business and accessible to consumers.
- There is a notable absence of the foreseen ban on planned obsolescence, where we call for a clearer timeline to implement new measures in this space. Likewise, there are few measures to genuinely improve the situation regarding repairability of products for consumers.

The EU Strategy for Sustainable and Circular Textiles

The EU Strategy for Sustainable and Circular Textiles brings a new focus upon the sector in relation to the circular economy. The strategy highlights that the consumption of clothing and footwear is expected to increase by 63% by 2030, from 62 million tonnes to 102 tonnes in 2030. Moreover, the consumption of textiles is on average the fourth highest negative impact on the environment and on climate change and third highest for water and land use from a global life cycle perspective.

There is also a growing pressure due to the Russian invasion of Ukraine which has led to increased energy prices and security of raw material supply. By building greater circularity in the re-use and recycling of products, this can reduce the dependency on imported raw materials. Re-use and upcycling are also far less energy intensive through the reduction of shipping costs and manufacturing.

A key element of the legislation is to introduce mandatory ecodesign requirements. This will allow businesses and consumers to have a better understanding in the impact on the climate and the environment. The aim of this moreover will be to develop binding product-specific ecodesign requirements to increase textiles' performance in terms of durability, reusability, reparability, fibre-to-fibre recyclability and mandatory recycled fibre content.

There is a strong emphasis within the proposal of improving the design of products, as failures in qualities (e.g., zipper and seams breaking) are among the main reasons for consumers to discard textiles. More transparency on the environment will also prompt greater innovation in terms of finding alternative materials or reducing the use of chemicals which hamper the recycling of textile waste.

Key Policy Asks
- The Commission has set out Textiles to be a test case for the ESPR principles, as such it is critical that the approach is set out in a clear and rational way which can be a guiding reference for other sectors even if there is no one-size-fits-all approach.
- Further outline of how the DPP will be used within this sector. Depending on the exact requirements, a DPP could support some of the wider objectives of the strategy, for example tracking and stopping the destruction of unsold or returned textiles.

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About the Taskforce for climate neutral and circular materials and products

CLG Europe has been actively advocating for positive change as an essential component to ensure we meet our climate goals. At the historic COP26 in Glasgow in October 2021, CLG Europe launched the Taskforce for climate neutral and circular materials and products, involving members of CLG Europe and other leading businesses. The vision of our Taskforce is of a group which brings together companies that are actively committed to using climate neutral and sustainable materials, and who raise awareness about the need for EU measures to help decarbonise materials. The Taskforce is a cross-sectoral and cross-value chain group with an ambitious standpoint that builds clear outreach to EU decisionmakers. The Taskforce is a vocal and ambitious group that drives the development, implementation and support of more ambitious, future-proof policies, programmes and initiatives in Europe to create an ecosystem that more rapidly shifts away from the energy and resource intensive production of materials. The Taskforce does this through providing a forum for its members to exchange views, build thought leadership pieces and lead campaigns at key policy moments.

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[9] European Commission. "*Proposal for a regulation of the European Parliament and of the Council laying down harmonised conditions for the marketing of construction products, amending Regulation (EU) 2019/1020 and repealing Regulation (EU) 305/2011.*" 2022 March.

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