



The overarching policy-mix

1. The current situation and trends

The overall environmental impact related to consumption of goods, services and raw materials by households and companies in the EU continues to grow, creating impacts within the EU and globally. The EEA identified three broad consumption areas – food, housing and mobility – to have contributed approximately two-thirds of consumption-related material use, greenhouse gas emissions, acidifying emissions and ozone precursor emissions.

The trends towards increasing consumption of resource-intensive goods and services observed in the EU over the last decades have no single driver. Rather, a web of interrelated direct and indirect drivers results in the observed trends. On the **demand side**, the integrated and widespread cultural, economic, institutional and political system that supports **consumerism** encourages individuals to establish their place in society through the purchase of material possessions and their lifestyle choices. Rising affluence and decreasing product prices enable increasing consumption of resource-intensive products and services. On the **production** side, drivers causing inefficient resource use include demand for high profits and short pay-back periods of investment, environmentally harmful subsidies, inadequate resource pricing (not reflecting the resource's value) and a lack of internalisation of external costs of resource use. Together, production and consumption-side factors create **technological and social lock-in** to unsustainable consumption patterns that prove hard to break. The underlying drivers of resource overconsumption are strong; they are also deeply embedded and often mutually reinforcing. Our economic model is fuelled by consumption spending, and GDP growth is generally seen by policy makers as a fundamental necessity to ensure jobs and prosperity. Institutions and their policies have more often than not encouraged consumption, and aligned with business.

There is a growing agreement between scientists and analysts that a significant reduction of overconsumption challenges the premises on which our economies are built and would require important, structural changes. However, the academic community does disagree about the extent of the required changes. Particularly, they debate the future role of economic growth (understood as growth in GDP) in industrialised countries. In the debate between 'green growth' v. 'steady state' or 'degrowth', the policy mix team is agnostic with respect to the future role of GDP, but makes decreasing environmental impacts and maintaining or improving well-being prime objectives. Conversely, this also implies that GDP growth does not play the role of an overriding policy objective, and that it cannot therefore be put forward as a veto against ambitious environmental policy, a role that it often occupies in public discourse.

2. Targets and vision

The ambition is that by 2050 all European citizens enjoy high levels of quality of life and well-being. At the same time, significant shifts in production and consumption patterns mean that impacts associated with the average consumption of a European citizen have gone down significantly and Europe's overall footprint is within the earth's carrying capacity.

Potentials for efficiency improvements and recycling in the economy have been fully exploited, including through system innovation. Consumers use low environmental, health and social impact products and consumption habits have changed in a range of key areas. Products that are adaptable, long-lived, and designed for remanufacture are easily available and affordable. Technological and social innovations has brought about new, resource-light

ways of fulfilling consumer needs, e.g. through enabling wide-spread sharing, custom-fit design and re-design. Resources are used according to need, rather than squandered in conspicuous consumption. Income is substituted with leisure to a certain extent and resource intensity of leisure activities has gone down substantially while consumption of immaterial or resource-light goods and services has gone up.

3. Policy instrument mix

Based on the problem analysis and stakeholder input, the team has developed the following four instrument clusters responding to the main problem areas. All of them encompass iconic measures for further in-depth analysis, included in the table below as well as a range of flanking measures (which are not included in the table below).

Cluster	Central “iconic” measure (to be further refined and quantified)
Smart taxes & incentives cluster	1. Applying schemes similar to the French Bonus-Malus Scheme for cars to a selected range of (relevant) product categories across the whole of Europe (to be identified); 2. A Europe-wide system of dynamic VAT advantages for the most environmentally advantageous/ least resource intensive products, with rules on the categories eligible for the reduced rate being constantly tightened; and consideration given to the least efficient products being progressively withdrawn from the market by regulation. 3. Taxes on virgin materials, landfilling and incineration (building on the model of the UK aggregates tax but expanded to a broader range of selected virgin materials extracted and/or imported); should encourage recycling and, at least to some degree, internalise externalities (pollution) associated with resource extraction/mining/transportation, etc. Taxes on landfilling and incineration based on the Danish and Swedish examples respectively
Circular economy cluster	Framework directive/ regulation building on Ecodesign Directive for Energy using products: 1. Establishing minimum requirements for life-cycle performance of a gradually expanding list of products, including material efficiency requirements (e.g. durability or recyclability requirements, sustainable sourcing requirements, packaging requirements, obligation for producers to provide information on life-cycle performance of their products, etc). 2. Extended producer responsibility to be boosted building on the WEEE Directive
Alternative business models cluster	1. A comprehensive innovation initiative targeted to support systems innovation fostering the transition to more resource efficient and service based business models (e.g. leasing and sharing) that sell performance instead of transferring product ownership.¹ 2. Skill enhancement programme: Mainstream environmental concerns into relevant academic and vocational curricula (engineers, architects, craftsmen, etc.), and training for professionals to develop skill and techniques relevant for implementing resource efficiency measures in existing firms or developing new business models. 3. Standardised and compulsory reporting on resource efficiency at company level;
Sustainable consumer practices cluster	1. Step-by-step restriction of advertising and marketing (e.g. building on examples in the area of tobacco and alcohol, restrictions in protected inner city ensembles, restrictions on advertising targeting children, exploiting overlaps with health agenda) 2. An EU wide infrastructure spending programmes for enabling sustainable behaviour (mobility, recycling, sharing infrastructure) + regional level scheme (funded by EU) offering free audits & recommendations to households and SMEs linked to available public financing mechanisms/subsidies to help shift towards a more sustainable consumption and , where relevant, turn consumers into producers (e.g. solar panels, etc.) 3. Informational instruments: extend labelling to include information on average total consumption levels (rather than efficiency only); awareness raising.

¹ “These business models can increase product-life, reuse and recycling and save resources. Manufacturers retain greater control over their products for maintenance, reconditioning and recovery, while customers only pay for the service they need.(EREP recommendations, 2014)