Initiating the change – What do the policy mixes and modelling findings tell us about the new Circular Economy Package?

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Agenda

1) Bring back in the findings of DYNAMIX and POLFREE on policy mixes and modelling
2) Reflect back on WG results of day 1
3) How are 1+2 linked to the CE package policy approach?
4) What policy instruments/mixes would be needed/suggested to achieve the CE objectives?
A rollercoaster on commodity markets

- Current prices low, don’t act as drivers for RE/CE the way they did 2000 – 2012
- But fundamental uncertainties about future prices
- Perhaps robust to expect high volatility and more differentiated prices
The scope of a CE: MSW, total waste ↔ material flows and resource nexus with water and land

- Willi Haas et al. (2015): EU recycling rate at ~ 12.6% (2005), measured as secondary materials as share of processed materials
- Compared with 32% or 42% stated by other sources based on waste indicators
Bring back in the findings of DYNAMIX and POLFREE on policy mixes and modelling

- Analyses on complex multi-level issues, market/policy interface, trade-offs, synergies.
- Ambitions long-term targets: cropland footprint – 30%, RMC down to 5 tons pc (-80% for virgin metals for 2050), water exploitation index below 20 %, zero net demand for non-EU arable land, reducing nutrient surpluses
- Ambitious policy mix recommendations on: phasing out environmental harmful subsidies; taxation (construction minerals, TMR/extraction, LCA-based VAT, meat), electricity, mobility, buildings, food, PSS, waste (recycled content quota), industrial symbiosis.
- More investment and more political will be needed! Social impacts important, special programmes (such as retrofitting buildings).
- International dimension important for legal issues (GATT/WTO, business risks, public acceptability, environmental burden shifting
- No magic box – processes, roadmaps, flexibility needed
Bring back in the findings of DYNAMIX and POLFREE on policy mixes and modelling

- POLFREE ‘unpleasant’ Business-as-Usual (with climate impacts) will lead to lower growth and less jobs, and to environmental deterioration. High food prices.
- GWS (IO) Global cooperation is preferable. But EU could also go ahead and reap benefits. First mover advantages, rising investments and employment in the EU. ‘Civil society leads’ leads to lower growth but higher employment and trade surplus.
- FEEM (CGE) Dematerialization policies; land use policies. Positive results via endogenous technical change & cut in labour taxes (use of revenues). Results differ throughout member states. ~ 60 % increase in material efficiency, less resource depletion. Positive for agriculture (less so for meat). Some policies have sectoral relevance but may lack ‘systemic’ effects.

Investments matter (direction, volume)
Reflect back on WG results of day 1

- Managing Co-Benefits: cutting material costs, better resilience, various environmental benefits, improved health,
- A ‘coalition of the willing’: business is supportive, so are regions, larger hybrid organisations (EMF, WEF)
- Dealing with losers
How are 1+2 linked to the CE package policy approach?

- All materials (flows and stocks), and inter-linkages with water and land
- Short-term and long-term perspectives
- Multiple levels
- Plausible scenarios about different futures
- Targets for using resources in the EU

- Specific on waste, seeks to align raw materials initiative and resource efficiency flagship initiative
- Short-term to mid-term
- EU, environmental and industrial policy
- Targets for recycling (65% of MSW by 2030), packaging (75% by 2030, 55% for plastics), landfills (no more than 10% by 2030)
How are 1+2 linked to the CE package policy approach?

Pretty well!

All areas covered, more emphasis on monitoring progress, innovation, investments

=> Should be useful for a revision soon to come

### Summary of the EU 2015 Action Plan for the Circular Economy, with examples of specific policies

<table>
<thead>
<tr>
<th>Area</th>
<th>Examples of specific policies</th>
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<tbody>
<tr>
<td><strong>Production</strong></td>
<td>Eco-design: proposal to adapt the existing eco-design work plan (under Europe’s Eco-Design Directive) to incorporate durability, reparation and recyclability criteria</td>
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<td>Cleaner manufacturing: R&amp;D funding, knowledge centres,</td>
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<td><strong>Consumption</strong></td>
<td>Proposed introduction of product labelling for durability</td>
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<td>Pricing: member states are ‘encouraged’</td>
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<td>Consumer protection rules: e.g. guarantee periods</td>
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<td>Various proposed measures to promote ‘innovative consumption’, including collaborative consumption models based on leasing, lending and sharing.</td>
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<td>Adapting existing public procurement rules</td>
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<td><strong>Waste management</strong></td>
<td>New legislative proposals on waste and landfills, including new binding targets</td>
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<td>Proposed changes to extended produce responsibility rules to reward products that are designed for easier repair, remanufacture or recycling.</td>
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<td>Direct funding support for ‘laggard’ regions via cohesion policy</td>
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<td><strong>Boosting markets for secondary materials</strong></td>
<td>Clarifying legal rules on definitions of ‘waste’; proposed standards for various secondary materials to foster markets.</td>
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<td><strong>Priority areas:</strong></td>
<td>Plastics; food waste; critical raw materials; construction/demolition waste; biomass &amp; bio-products.</td>
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<td><strong>Innovation, investment and ‘horizontal’ measures</strong></td>
<td>Funding for research and innovation under Europe’s Horizon 2020 programme, and also through the Cohesion Policy</td>
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<td><strong>Monitoring progress:</strong></td>
<td>CE AP refers to the resource efficiency scoreboard and raw materials scoreboard, with commitments to develop new indicators for a range of CE topics.</td>
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What policy instruments/mixes would be needed/suggested to achieve the CE objectives?

- Take a systemic approach - resource nexus: linking materials with energy, water, food
- Upscaling: Guided large-scale multi-level experimentation (learning from China), regions throughout Europe, larger areas such as housing, mobility, food with industry collaborations
- Resource policies: addressing the life-cycle of resources, creating lead markets for secondary materials and nutrients recovered from waste water; Economic incentives; knowledge infrastructure (information on products and anthropogenic stocks)
- Targets: go beyond MSW, resource-targets e.g. double share of secondary materials, double resource efficiency
What policy instruments/mixes would be needed/suggested to achieve the CE objectives? **Next Steps**

- Realizing the cost advantages (EMF/MGI): network of European industrial symbiosis initiatives; knowledge-enhancement (data, assessment tools, learning, capacity building)
- Eco-Design for main relevant product groups to gradually include footprints, EPR tools, sectorial approaches (e.g. metals, construction, plastics, bio-refinery)
- Get serious about economic incentives conducive to welfare states (subsidies, taxes, semester process on member states efforts)
- Global governance: EU to CE AP refers to the ‘product environmental footprint’; ‘sustainable sourcing of raw materials’ => fits into International RE alliance, transparency of extraction and traceability of raw materials
- Discuss & deliberate on long term targets from different angles (resources & environment, jobs and growth), start a roadmap