DYNAMIX – Dynamic policy mixes for absolute decoupling of economic growth from EU resource use and environmental impacts

“Policy station” overarching policy mix: Rationale, objectives and first results

Joint DYNAMIX/POLFREE Policy Platform “An ambitious Circular Economy Package for Europe: realizing the social, economic and environmental benefits of resource efficiency in Europe”

13/14 April 2015, Ateliers des Tanneurs, Brussels

http://dynamix-project.eu/ https://twitter.com/EUResources
Problem Situation

- EU’s environmental footprint and material consumption continue to grow
- Planetary boundaries in danger of being further exceeded

Share of the total environmental footprint exerted outside EU borders associated with the EU-27’s final demand; EEA 2015

Global Material Extraction; Krausmann et al. 2009
All EU citizens enjoy high quality of life, while production and consumption patterns in the EU have shifted significantly.

Potentials for efficiency improvements and recycling have been fully exploited.

Consumers use low environmental, health and social impact products.

Adaptable, long-lived, remanufacturable products are easily available and affordable.

Complex web of drivers, including:

- Population growth,
- Rising affluence,
- Decreasing production prices,
- Increasing pace of innovation,
- Increasing consumer choices,
- Expansion of trade,
- Infrastructure design,
- Consumption patterns shaped by social norms, advertising and consumerist values.

(Tan et al. 2013, EEA 2015)
## OVERARCHING POLICY MIX – KEY FEATURES

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<tr>
<th>Drivers</th>
<th>Objectives 2030</th>
<th>Instruments</th>
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<tr>
<td>Rising affluence</td>
<td>Enabling translation of higher income levels to more leisure instead of additional consumption.</td>
<td>Labour market reform, including tax incentives and regulatory change.</td>
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<tr>
<td>Inadequate resource pricing, decreasing retail prices, increasing consumer choice</td>
<td>Smart pricing – full cost pricing for resource provision, internalisation of externalities to the extent this is feasible.</td>
<td>Tax on material use and polluting activities for both producers and consumers.</td>
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<tr>
<td>Short product lifespans</td>
<td>Products have longer durability and operational lives.</td>
<td>Extended producer responsibility, international collaboration for more ambitious product standards.</td>
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<td>Limited whole-life costing in investment decisions</td>
<td>Investors and consumers if whole-life costs.</td>
<td>Price incentives for resource-efficient products through VAT reductions and feebates</td>
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<tr>
<td>Consumerist values fuelling consumption</td>
<td>Encourage responsibility vis à vis overconsumption as well as waste and end of life products</td>
<td>Step-wise restriction of advertising Enabling shift from consumption to leisure</td>
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Drivers, intermediate objectives and corresponding policy instruments; Ekvall et al. 2015
Circular Economy Tax Trio

<table>
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<td>combination of a virgin materials tax, a landfill tax and a waste incineration tax</td>
<td>(a) reducing raw virgin resources extraction (b) encouraging recycling (c) internalising externalities</td>
<td>- Importers taxed, exports from EU exempt - resource extraction tax on aggregates of €2.40/tonne by 2018 in all MS - landfill tax €90/tonne and incineration tax €15/tonne by 2020 in all MS</td>
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First assessment results

- Reducing virgin material use
- Increasing use of recyclates
- Reducing GHG emissions
- Reducing land & water needs

Environmental impacts

Social impacts

Public acceptance

Legal feasibility

Changes in employment in extractive vs. recycling industries

Reducing health impacts (e.g. accidents)

GATT issues as regards national treatment principle due to taxing imports, but not exports

Legend

- Likely very positive
- Likely positive
- Likely negative
- Likely very negative

Potential lessons learnt

- Use smart revenue recycling for easing opposition and winning support
### Brief description
A common framework for bonus-malus schemes (incentivising purchase of environmentally beneficial products, penalising purchase of environmentally detrimental products) across the EU for specific products/product categories.

### Objectives
(a) Shift consumer demand towards low emissions and highly environmental products
(b) Encourage producers to develop and supply more environmentally friendly products

### Key assumptions
- Elasticity of offer and demand taken into account for cost-neutrality when setting the bonus-malus rates
- Household appliances as prime
- Bonus-malus at point-of-sale ensures treating domestic production and imports equally

### First assessment results

<table>
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<tr>
<th>Environmental impacts</th>
<th>Social impacts</th>
<th>Fostering employment for innovation/innovative firms</th>
<th>Reducing health impacts</th>
<th>Public acceptance</th>
<th>Legal feasibility</th>
<th>Likely no GATT issues due to treating domestic production and imports equally</th>
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</thead>
<tbody>
<tr>
<td>Rather easily understandable</td>
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<tr>
<td>Maintaining freedom of choice</td>
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<tr>
<td>Discriminating against consumers needing malus-products?</td>
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### Potential lessons learnt
- Make scheme budget neutral, trying to budget for anti-discriminating support measures
- Combine with green skilling to prepare for shifts on labour market
## Enabling shift from consumption to leisure

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<td>encouraging reduced working hours, e.g. longer statutory vacation times, flexible wage records</td>
<td>(a) Changing availability and affordability of consumption (b) Countering (perceived) lack of time to consider and apply alternative lifestyles</td>
<td>- MS pilot policies after 2020, EU framework in 2030 - public sector and lower positions in hierarchy most suited for part time work</td>
</tr>
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### First assessment results

- **Environmental impacts**
  - Releasing labour market potentials
  - Reducing stress levels
  - Financial security (lower wages) ?

- **Social impacts**
  - Concerns of paternalism/force
  - Issues of fairness and choice

- **Public acceptance**
- **Legal feasibility**
  - No GATT or EU treaty concerns; rather a matter of political feasibility

### Potential lessons learnt

- Combine with green skilling to prepare for shifts on labour market
- Revise labour taxation systems to support low income households to shift