

STRUCTURE FOR UEAPME'S PRESENTATION DURING THE ECO-NET FINAL CONFERENCE "MOVING TOWARDS A CIRCULAR ECONOMY: CHALLENGES AND OPPORTUNITIES FOR SMEs" ON 26 MAY 2016

Circular economy is a must for the EU for various reasons. If the conditions are right, it can create opportunities for a lot of SMEs. So, it is good the EU Commission tackled this issue and came out with a comprehensive Action Plan, which is more balanced and less ideological than the previous one.

UEAPME is convinced that 1) the strategy will be successful only and if the big majority of SMEs will follow, since they represent 99% of all enterprises in the EU 2) this big majority will have to be supported in the transition from a linear to a circular economy, a sort of revolution which does not happen overnight. In this framework, **key elements of the recipe to ensure that SMEs make this transition are: an SME-friendly legislative framework, awareness raising actions, technical assistance at local level, improved access to finance (particularly for the upfront investments), capacity building for SME organisations, and upgrading of employees' skills.** All these elements are not specifically mentioned in the Circular Economy Action Plan. However, it makes reference to the Green Action Plan for SMEs (GAP) published in 2014. The GAP is quite a good instrument and its first pillar aims at supporting traditional businesses to become more sustainable. **Therefore, it is of paramount importance that the GAP is really fully integrated into the Circular Economy Package.**

There are a lot of good ideas and policy measures in this Action Plan. We have to pay attention that the devil is in the detail and we have to ensure that the better does not kill the good: namely that the amount of different costs and red tape needed to implement these ideas do not create more problems or losses to the European SMEs than advantages.

One example is the idea to insert further resource efficiency aspects into the Eco-design, such as durability and reparability. On one side this measure will definitely increase the already important market of SMEs active in the refurbishment, maintenance and repair sectors at local level and will encourage the setting of new ones, which is positive. However, it will definitely increase the costs for manufacturers, with possible repercussions on their market share, employment level, etc., which is not so positive. **Which is the net gain of this initiative in the end on competitiveness and employment in the EU? It should be examined before proceeding.**

Among the positive aspects of the package we can quote new specific initiatives, which can develop production in an alternative way, such as:

- ✓ The support to access to innovative technologies
- ✓ The promotion of innovative industrial processes such as industrial symbiosis, remanufacturing, collaborative economy and digitalisation instead of production
- ✓ Boosting the market for secondary raw materials
- ✓ Clustering and pooling smaller projects in order to give them an EU dimension as it happens in EFSI. **This is particularly important to guarantee that small projects presented by SMEs can be financed.**
- ✓ Developing new skills in the labour market

On the other side we flag up a warning on some other concepts, such as:

- ✓ The Eco-design extension to resource elements already mentioned above
- ✓ A wider use of GPP: in principle the idea might sound good, but: 86% of SMEs do not participate in public procurement and 40% of the ones which do participate complain that the biggest problem is paperwork. **Therefore, adding a further green layer to give evidence of with no support measures for SMEs will only make the situation worse**

- ✓ The future of PEF and OEF: the evolution and the policy options of these instruments are still unclear, but, although consumers' information is important, **it has to be avoided that these procedures become compulsory legally or simply de facto** because they are likely to entail lots of costs and red tape for smaller companies

On top of this, the review of the EU waste legislation deserves a specific mention because it is also part of the package and represents its only set of legislative proposals. The reference is mainly to the review of the Waste Framework Directive.

In this case you still find the tendency to mix good initiatives with measures which administratively and pointlessly increase red tape and costs for SMEs and thus, should be avoided.

Positive aspects of the review are definitely:

- ✓ The simplification and harmonisation of definitions and calculations methods, which can form the basis for sound data
- ✓ The proposed early warning systems for Member States, which could support the implementation process and help even out differences across Member States and their achieved waste goals
- ✓ The idea to increase transparency with regard to Extended Producer Responsibility (EPR) schemes and to create a level playing field for all manufacturers within the EU
- ✓ The exemption for public authorities from keeping a register of establishments which collect or transport quantities of non-hazardous waste not exceeding 20 tons annually.

The main negative aspects hampering competitiveness and entrepreneurial spirit in the EU are:

- ✓ The idea that all costs for waste management have to be borne exclusively by manufacturers through EPR. Experience shows that 1) individual EPR are totally unfeasible for SMEs because of the organisational and financial costs, let aside the bureaucracy 2) collective EPR are better but entail anyway high costs and red tape particularly if all producers are not guaranteed the same price conditions (the tariff per tonne of product put on the market is higher for SMEs than for big companies). **Therefore, the best solution should be that all actors involved in the product life cycle, including consumers, should share the responsibility for waste management.**
- ✓ The plan to introduce a reporting procedure for all products placed in the European market (article 8a), which would result in additional reporting obligations hard to handle for SMEs.
- ✓ The fact that no threshold for transporting hazardous waste has been foreseen in article 26. This threshold should be 2 tons annually, under which businesses do not have to keep a register. It is already in place in Germany. The measure does not mean that hazardous waste will not be disposed of according to legislation, but only has the aim of reducing the bureaucracy to pass information to public authorities for small quantities transported. The introduction of such a threshold is crucial for the feasibility of the directive.
- ✓ The fact that no threshold is foreseen for hazardous waste when making the data available to the electronic register/the competent authorities in article 35. This threshold should be 2 tons annually in order to be consistent with the threshold already foreseen in article 26 on the same issue.

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