# Reaction to the Circular Economy Package

### Brussels, 8 February 2016

DIGITALEUROPE, the European association representing the digital industry, supports the Commission's initiative to address the challenges of moving to a Circular Economy. This paper sets out our reaction to the proposals.

In responding1 to the public consultation, DIGITALEUROPE raised the importance of coherence among the policy initiatives, based on some high-level principles including the need for life-cycle thinking; the balancing of different policy objectives; fair competition; and the desire for global harmonisation.

We believe that these principles should continue to steer the forthcoming discussions on specific measures for different sectors. Each sector is unique and faces its own challenges. We represent a truly global and innovative industry with highly complex supply chains.  Regulatory interventions work most effectively when designed with this in mind.

The issues raised in the Communication are familiar to our sector through the existing stock of legislation on eco-design (ErP, eco-labeling), hazardous substances (RoHS/REACH) and end-of-life treatment (WEEE). Therefore, we agree that no new legislation should be introduced, but rather we should review what is already in place and consider carefully what improvements are needed to further drive resource efficiency. Furthermore:

- **The ErP Directive is the principle means to determine any design requirements for products.** The environmental performance of EEE is regulated by Directive 2009/125/EC (Ecodesign), which sets mandatory requirements to improve the environmental performance and quality of all products. The Ecodesign Directive and its implementing measures are being developed based on impact assessments and stakeholder consultations. It should continue to be the only vehicle to advance higher environmental standards for products put on the market. This extends to questions of durability, repairability, use of recycled content etc., which should all be assessed for impact and cost benefit under existing processes under this Directive.

- **The support for innovation and investment is crucial**. This should have an emphasis on researching the processing of e-waste to recover important/critical materials economically.

- **Enforcement is needed to prevent illegal waste export.** This will help ensure proper recycling and treatment, improve the functioning of EU waste markets, and help achieve collection and recycling targets. Furthermore, we encourage public authorities to implement and enforce harmonized recycling standards for WEEE and trans-frontier guidelines for UEEE as agreed under the Basel Convention.

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1 http://www.digitaleurope.org/DocumentDownload.aspx?Command=Core_Download&EntryId=1007

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1

- **Provisions should be made to reward environmental considerations in product design**. Under EPR manufacturers should receive economic incentives for environmental design considerations facilitating the recovery and recycling of materials. In particular, we welcome any reduction in costs relating to the end-of-life treatment that can help make secondary raw materials more competitive. Such an approach should be harmonised between Member States to provide consistent incentives and rewards to manufacturers. Overall, differentiated recycling costs should be used as a tool to cover end of life costs of products and compensate for the efforts of manufacturers addressing the End of Life (EoL) aspects of their products, but not to incentivise broader aspects of environmental performance of EEE.

   In order to ensure an effective approach it is essential that the following requirements are met:

   1. It is important that harmonized criteria are established and applied consistently across the EU.

   2. Reporting requirements for equipment should not be more complex than current requirements. In addition, differentiation of recycling costs should not create new administrative requirements (for example to visibly display fees on invoices or at point of sale). Additional administrative burdens are contrary to efforts to increase the competeveness of the EU and will act as a disincentive for differentiation of recycling costs.

   3. It is important that criteria underlying recycling cost differentiations are consistent with internationally recognized environmental product labels and certification schemes, both in technical content and required documentation. All criteria must be based on a transparent process and robust data. Impact assessments need to be good practice for the establishment of such criteria.

   4. Producer's financial contributions should be based on the real costs of treatment. This would provide incentives for greater recyclability. Currently recycling costs are not accurately reflected in producer fees in all schemes. For example, some of the criteria set forth in the French 'modulated fees' system are unrelated to recycling costs. To this extent, the French model falls short of being a role model for European harmonisation.

- **There should be common rules for the operation of collective producer schemes.** Such an approach should be harmonised between Member States to provide consistent incentives and rewards to manufacturers. Establishing common rules for EPR systems should help with harmonising requirements for producers and also ensure cost-effective systems. Producers have led extensive work on how such incentives could be established and we are keen to work in partnership with policy makers in the development of these provisions.

- **Accurate Data is needed on Waste Flows:** Accurate data on all waste flows is crucial so that all waste that is collected and recycled is properly reported, and that legislation is based on a full understanding of waste flows. For example, there are significant flows of WEEE that is properly treated, but outside the producer owned WEEE systems, and therefore not currently counted within the official WEEE

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2

statistics. With the increasing value of WEEE, linked to the increasing raw material prices over the last five years, we are witnessing more and more WEEE collected and recycled by actors operating outside of the producer controlled systems. These so called "complementary WEEE flows" are being collected by an array of actors, operating from small-scale door-to-door collectors to large-scale scrap dealers and recyclers. Where EPR legislation places requirements on producers to collect WEEE but does not measure all the data on the materials collected both by producers and through these complementary flows, this can lead to the market being distorted creating large financial burdens for producers; and a misunderstanding about the true quantity of materials that are collected and recycled. In order to resolve this future, EPR legislation and current EPR systems need to ensure Member States **collect data on all WEEE flows.**

- **Proposals should help boost markets for secondary raw materials.** Secondary materials must be able to compete with virgin material on quality and price. It is important to provide incentives for manufacturers to increase use of recycled materials in products in order to increase market demand and drive toward a more circular economy. It is also necessary to incentivise the producers of secondary raw materials to provide higher quality and quantity of secondary raw materials. In addition, international quality standards for secondary materials should be established to encourage global harmonization.

In particular, DIGITALEUROPE is concerned about:

- **Provisions for durability.** The Commission has yet to show evidence of "planned" obsolescence. Independent of that, informing consumers about and measuring average expected lifetime of appliances would be impractical as usage periods typically vary under different usage conditions and use scenarios. In addition, such statistics would inevitably confuse and frustrate consumers if their products do not last as long as the theoretical 'average' product. Alternatively, setting minimum lifetimes of products or components could require extended warranty periods, which is likely to increase product prices substantially.

- **Provisions for repair.** Spare parts and product information (such as schematics) are usually proprietary and intellectual property of manufacturers; making them publicly available to all end-users and repair shops will directly undermine manufacturer's competitiveness and ability to market new products and technology e.g. it is possible for a company to build competing products out of proprietary components. In addition, repair usually requires specialised training and equipment; careful authorization and control of repair facilities in relation to warranties provided is required to ensure sufficient protection of consumers in terms of quality of repairs and product safety.

- **Provisions for upgradability.** Backward and forward compatibility are very challenging for a fast moving sector such as ICT/CE technologies: new components are not always compatible with existing interfaces due to critical technical reasons. Components are increasingly integrated and miniaturised to save energy (e.g. system on a chip), which also can make it difficult or impossible to upgrade individual parts. Designing for upgradability is not always the best option in terms of customer

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3

experience, usability, durability etc. Companies need to strike a balance between design aspects ranging from user interaction to maintenance and EoL.

- **Provisions for recyclability**. Any design for recycling requirements should relate to actual recycling issues and best practice technologies in use/expected in the future, and should only be adopted on a case-to-case basis following a rigorous impact assessment and consultation phase. Industry has a preference for qualitative requirements over a quantitative recycling index due to the complexity of our products and the limited relevance of quantitative recyclability information to consumers and recyclers.

**Delivery of actions in the plan.** The Action Plan is cross cutting. We need to see a continued intra-Commission effort to ensure that it is delivered in a coherent way. We look now to the Commission to outline the mechanisms of this and the opportunities for stakeholder engagement to further develop the proposals outlined in the plan. Overall, it is important that any product-related requirements relating to new green taxes or warranties should follow harmonised requirements to avoid barriers to trade. In addition, as different products utilise different technologies, consideration must be given sector by sector over which combined approaches are practicable. In many cases, a one-size-fits-all approach is not likely to be effective.

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4

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DIGITALEUROPE represents the digital technology industry in Europe. Our members include some of the world's largest IT, telecoms and consumer electronics companies and national associations from every part of Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital technology companies.

DIGITALEUROPE ensures industry participation in the development and implementation of EU policies. DIGITALEUROPE's members include 62 corporate members and 37 national trade associations from across Europe. Our website provides further information on our recent news and activities: http://www.digitaleurope.org

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5