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UNICE'S PRELIMINARY COMMENTS ON THE STUDY "IDENTIFYING PRODUCTS WITH THE GREATEST POTENTIAL FOR ENVIRONMENTAL IMPROVEMENT"

DRAFT REPORT - IPTS/ESTO PROJECT – FRIDAY 04TH JUNE 2004

Background

The study aims at identifying products with the greatest potential for environmental improvement and then examines ways in which their environmental impacts can be reduced. However, the IPTS document tends to focus on the identification of products that have the greatest environmental impact.

UNICE is concerned about this change of objective and feels that this is in conflict with the Commission's initial communication, where the improvement potential was the key focal point.

The objective should not be to identify areas of activities which may be polluting in themselves, but do not affect significantly the overall European environmental performance.

Identification of potential for environmental improvement should also consider additional parameters such as efforts already made by industry, technical feasibility and existence of alternative cleaner solutions, as well as economic and social aspects.

Should the study target an overall improvement in European environmental performance, we could not disregard the imported products.

Due to the highly ambitious aim of the study along with its considerable political significance, all necessary caution is required and highest possible standard should be set to ensure solid scientific data and full transparency of the whole process as well as participation of all relevant experts and stakeholders. The achieved results should not be influenced by the panel of selected experts.

The current draft report does not seem to fulfil these requirements.

The selected products

The aim of determining which products cause the most damage to the environment, based on scientific evidence, **does not seem to be feasible in practice given that the aim as well as the product variety is extensive and too complex for a research project.**

The selection of product groups seems to be oriented to the information available rather than to the needs and aim of the study.

From UNICE's point of view, there is a general lack of quality targets for the assessment and lack of reliable method and data standard, which will most likely imply inaccurate results.

According to the report, the improvement potential of the selected products will be identified at a later stage. This implies that the study gives an immediate picture of the situation, without the possibility of pointing to sectors or specific products that should be considered as particularly important to improve. It is questionable whether a study aimed at identifying most harmful products can point out, with the same methodology, those products with the highest improvement potential as well. The advice is to keep this inherent constraint of the study in mind throughout the study period, especially in the concluding phase where the wording must be chosen with great care in order to avoid over-interpretation.

Furthermore, apart from the necessary scientific quality, relevant international standards set by the International Organisation for Standardisation (ISO) are not taken into account. UNICE would like to see a clear explanation as to why the study does not meet ISO 14040 et seq.

The study aims at observing the EU-25 countries and analysing the current situation. The draft study treats the EU-25 countries as being similar to the EU-15 since the same standards and technology are expected to be used in the new countries in ten years' time. This assumption appears to be far removed from reality and is not suitable for representing the actual situation in the EU. This may be a very important assumption and it would be useful to make some effort to verify this assumption, e.g. in the form of a sensitivity analysis.

Procedure

It would be helpful to have greater transparency in the study procedures and to make an assessment of the impact on stakeholders, in particular industry. The process does not intend to involve stakeholders until the fifth step, after the completion of the method development, result generation and reporting. For industry this is an important issue, since true participation of stakeholders is seen as invaluable in this study. Stakeholders should be involved from the start due to their expertise and the impact it will have on them. In this case only the possibility to comment on the finished study is provided for.

An important step, which is the validation and acceptance of the methodology and possible expected results by all Members States and stakeholders, seems not to have been considered.

Review of existing studies

The evaluation of the studies and tools seems largely incomplete. For example, there is no evaluation using transparent and qualitative criteria to ascertain whether and to what degree of accuracy these methods are appropriate to the question under investigation. UNICE would appreciate a closer examination of the differences between the results obtained by different approaches, both with respect to the product groups/activities identified as being the most important and with respect to why the different methods produced the actual results.

However, such an exercise is very time-consuming and there are probably many concomitant factors responsible for the differences.

Methodology chosen

According to the report, key methodological considerations were presented and discussed at a workshop in May 2004. It would have been interesting to have some details about the discussion in this workshop. However, the report elaborates on the arguments for choosing input-output analyses rather than LCA as the basic tool.

There is little doubt that the arguments against using LCA are valid within the scope of this study. In particular, it would have been very difficult to use the existing LCA information to create information on the societal level with its multitude of different products. However, it would have been interesting in this context to see a more thorough review, especially on the Commission's Bio/O2 study, in which selected product groups have been examined by an LCA approach in relatively great detail. Is this not possible for many more products? If not, is it due to methodological constraints, lack of time, or lack of data?

There is no doubt that for such a study, a multi-criteria methodology should be used, but this must comply with a certain number of general principles to be further exploited, such as:

- The criteria chosen shall be independent and not limited solely to the sole environmental aspects,
- The results should not be influenced by the panel of experts, but validated by stakeholders and community,
- Synergy and interaction between criteria and factors should be considered.

Input-Output LCA method

Input-output analysis is chosen as the basic tool for the further work. Some of the advantages are doubtful. An argument like "In principle Input-Output databases can be relatively easily updated" is perhaps correct, but there are few signs that this will be done within the study period. The project will therefore have to use old data, perhaps dating back to the mid-nineties. This may be a serious flaw, and thought should be given to including a chapter on differences in consumption patterns between the time when the data were produced and today.

Additional reasons for not using Input-Output LCA methods could be cited:

- "The bottom-up studies are not available to the degree required (limited number of LCAs, with different methods)". Input-Output tables are also limited and, for the EU-25 in particular, not available and moreover use different methods.
- "The bottom-up studies remain too close to specific products and even more specific variants thereof." For Input-Output LCA, the opposite is the case: they are not specific enough.
- "The bottom-up studies available use different methods for establishing environmental consequences and hence are not fully comparable." This is true to an even greater extent for Input-Output LCA, as in this case there is not even an internationally recognised methodical framework.

As a final argument, the author contends that the "Existing Input-Output studies in principle allow reaching the desired level of resolution within the time frame of the study." For a study of this importance, the selection of the methods used should not only be a matter of convenience and time constraints.

Furthermore, specific difficulties arise if products are fully or partially produced in one country from components and raw materials coming from a different country, especially a country outside the EU. In that case, correct input-output-LCA analysis has reached or exceeded its limits.

Selection of the CEDA tool for the study

It is mentioned here that the CEDA model builds on the most recent US Input-Output tables and not specific European information. The choice of this basis is defended by the argument that the technology level does not differ very much between the US and the EU, with a few exceptions that will be handled during the elaboration of the model. We see the fact that the method is based on US data and that these data are assumed to be transferable to the EU as unacceptable, given that we do not have a globalised world with identical technologies. **Furthermore, as far as we know, the method has not been published or accepted within scientific circles**. Only the author is given as a source and even the authors themselves point out that this method is not, in fact, suitable: "Basing our work directly on a detailed EU25 table would clearly have been preferred. Such a data source cannot become available on short notice, as it requires a fundamental realignment of European data gathering and modelling."

Given this potential source of uncertainty, the project leaders have chosen to use the most recent database, CEDA 3.0 from CML. The tool is described as well documented and flexible, but little information is currently publicly available. As the makers of the tool, CML, are members of the project group it must be assumed that the project group is up-to-date on the developments.

Regarding the aim of identifying products with the greatest improvement potential, it is necessary to describe: first, the uncertainties of environmental impacts caused by all the assumptions which have been stated as part of the input-output analysis; and second, to reflect on these uncertainties against the estimated improvements. In some cases, the uncertainties of the input-output analysis may be in a much broader range than the expected range for improvements.

Conclusion and proposals

Overall, the simplifications that are made will not do justice to the complex subject matter of identifying products with greatest potential for environmental improvement.

The qualitative requirements that must be set for the data, which are to support industrial policy decisions of major importance, do not appear to be met with the proposed method.

The methodology chosen should ensure the comparability of results, preferably in the form of a cost-benefit analysis and the estimate of the improvement potential has to include an estimate of the costs involved, i.e. affordability.

UNICE suggests that the assessment of environmental improvement potentials should, instead of using a single-score method, use a methodology that ranks the 500+ product groups in relation to their contribution to different environmental themes and the associated costs.

The aim should really be to identify those products or areas of activities where improvements ultimately have the highest environmental efficiency (highest environmental improvement per invested Euro) with regard to their contribution to the overall environmental performance.

Technical limitations and already invested efforts by sectors must also be addressed. Otherwise, future IPP efforts may have the wrong focus.

UNICE would welcome a high degree of transparency in the European Commission's further procedure on IPP. This also entails establishing jointly with stakeholders a solid and scientifically recognised and indisputable methodology for studies that concern the environmental improvement potential of products, which seems to be difficult to establish and validate in such a short time.

At the same time, these types of studies must do justice to EU aims for sustainability and not just protection of the environment.

Furthermore, the results of these studies must not be used without reflection for political decisions. Rather, they should rather deliver starting points for improving EU competitiveness and for making a contribution to deregulation and the reduction of bureaucracy.

We are looking forward to further discussing these points at the expert meeting on 2 September.