



May 2011

## **BUSINESSEUROPE'S COMMENTS ON THE UPCOMING ROADMAP FOR A RESOURCE-EFFICIENT EUROPE**

### **Executive Summary**

Increasing resource efficiency in Europe will be essential if we are to meet the objectives set out in the Europe 2020 strategy for promoting medium- and long-term economic growth.

BUSINESSEUROPE therefore supports the efforts deployed by the European Commission to secure the right policy framework conditions. As a key milestone in this process, the upcoming 'Roadmap for a Resource-efficient Europe' should take due consideration of the following points.

- The main objective of the roadmap should be to show a feasible and practical pathway that can be delivered in the most cost-effective manner.
- The development of a sound knowledge base remains as the most pressing short-term action that has not yet been sufficiently tackled.
- The concept of resource efficiency must not be restricted to simple numerical targets.
- Innovative techniques and methods for production processes and products will be central to a more resource-efficient Europe.
- Efforts should first concentrate to make the best use of EU's environmental *acquis*, which is already working to promote an efficient use of resources in different sectors.
- Fiscal policy should ensure cost-effectiveness and tax neutrality.
- Without a broader consumer understanding of 'resource efficiency', additional product labelling measures risk undermining the value of existing information.



## **BUSINESSEUROPE'S COMMENTS ON THE UPCOMING ROADMAP FOR A RESOURCE-EFFICIENT EUROPE**

### **Introduction**

BUSINESSEUROPE recognises that increasing resource efficiency in Europe – be it oil, gas, coal, metals, minerals, biomass, water or land - will be essential if we are to meet the objectives set out in the Europe 2020 strategy for promoting medium and long-term economic growth: smart, sustainable and inclusive growth.

The EU must, therefore, pursue a resolute multi-faceted strategy as defined in the renewed Raw Materials Initiative<sup>1</sup>:

- Forge an international consensus in support of undistorted trade in raw materials;
- Improve conditions for access to and extraction of raw materials in Europe
- Stimulate innovation in substitution and resource efficiency
- Develop secondary material markets in Europe and globally

The security of raw materials and resources supply has become an increasing priority for European industry. Access to raw materials under fair conditions and at predictable and affordable prices is a vital issue for the competitiveness and future of European industry. Even at this early stage in the global economic recovery, the average price of raw materials is up 20% higher than last year. In addition, industry's ability to supply raw materials in a sustainable manner is challenged by rapid increases in demand. These challenges are not only key for rare earths, but also for the sustainable supply of industry with a wide variety of raw materials and resources.

Primary and secondary resource management, in particular diversified supply, recycling and reuse, must be a key component of the EU policy. Many European companies already foster innovative resource efficient processes, thereby maintaining competitiveness on a global market place. In certain processes there is opportunity for improvements, however for others further optimisation, will incur substantial costs, thereby challenging the competitive position.

Europe's resource efficiency policy can also be better integrated in its external relations priorities. For example, the EU could encourage third countries to concur with policy ambitions on resource efficiency through relevant external relations fora and Sustainable Development Chapters in trade negotiations.

In this context, BUSINESSEUROPE supports the efforts deployed by the European Commission to secure the right policy framework conditions for a long-term resource efficient Europe and would like to contribute with the following views on the upcoming Roadmap for a Resource-efficient Europe. More detailed comments on this process will be provided later during 2011.

---

<sup>1</sup> COM (2011) 25 on tackling the challenges in commodity markets and on raw materials



### **A feasible and practical 2050 resource efficiency vision**

European business supports the idea of a long-term vision for a resource-efficient Europe. The main objective of the roadmap should be to show a feasible and practical pathway that can be delivered in the most cost-effective manner. This feasible pathway must be designed on the basis of very thorough impact assessments, giving special consideration to availability of financing, skills and resources, including impacts at sector level. It must also fully respect the principles outlined in the Commission's Communication on industrial policy in order to ensure that competitiveness proofing becomes a reality.

To achieve "smart" growth, it should be remembered that resource use *per se* does not necessarily have to be minimised at all costs. Resource efficiency can take different forms be it through reduced environmental impact of the use of resources, a more efficient use of resources (doing more with less) or better reuse and recycling of resources in use. A life-cycle perspective is desirable in order to ensure a clear view of where the priority impacts are occurring and where, therefore, results are most needed.

Compared with other recent strategic documents (e.g. 2050 low-carbon roadmap, renewed raw materials initiative, energy efficiency plan 2011, white paper on transport, etc.), the scope of the future "Roadmap for a Resource-efficient Europe" raises several questions. Whilst we understand that the roadmap takes a broad definition of resources covering raw materials like metals, wood or fuels, as well as land, water or eco-system services, the ongoing provisions of each of these faces different challenges and thus coherence with the other documents must be ensured.

### **A sound knowledge base**

As the background document for the public consultation<sup>2</sup> rightly points out, the roadmap needs to be supported by the development of the knowledge base, operational indicators and measurements methods. In our view, this is the most pressing short-term action that has not yet been sufficiently tackled.

A better understanding of the characteristics of the European and global markets of primary and secondary resources and their downstream uses with a view to developing an integrated European market that takes all life cycle stages into account is an essential pre-requisite to any effective resource efficiency policy.

More specific examples of key issues which still need to be properly addressed include:

- how the different European and global value chains work and the interactions between them;
- the real EU demand for different resources and how this might develop under a range of possible scenarios;
- the real "yield" of EU recycling and recovery and its full potential in the time remaining until 2050;
- where the real "market failures" are occurring and why;
- the strengths and weaknesses of different indicators.

---

<sup>2</sup> [http://ec.europa.eu/environment/consultations/pdf/re\\_background\\_en.pdf](http://ec.europa.eu/environment/consultations/pdf/re_background_en.pdf)



### **Resource efficiency will not conform to artificial targets**

As set out in previous positions, BUSINESSEUROPE believes that the concept of resource efficiency, as broadly defined by the European Commission, can hardly be restricted to simple numerical targets. We strongly feel it would be inappropriate and possibly damaging to impose targets across the EU on resource efficiency. Such targets may well have unintended negative impacts (e.g. innovation, competitiveness), drive unexpected behaviours, and could have limited relevance given the wide range of economic circumstances across the EU.

### **A resource-efficient Europe is an innovative Europe**

Innovative techniques and methods for production processes or products, recycling, recovery and, in particular, substitution to improve overall efficiency will be necessary to meet the objectives of the EU's resource efficiency policies in a cost-effective way. Such innovation can also give European industry a competitive advantage vis-à-vis our main trading partners on a market expected to grow over the next decades.

BUSINESSEUROPE therefore supports the proposal for an Innovation Partnership on Raw Materials under the "Innovation Union" Initiative. Such a partnership should provide some resources to strengthening the knowledge base discussed above.

### **Make best use of the environmental *acquis***

A wide range of EU policy instruments exist (waste legislation, eco-design directive, eco-labelling, green public procurement, end-of-life vehicles directive, WEEE directive, etc.), and are already working to provide framework conditions to promote an efficient use of resources in different sectors. Together with national policy and company own-initiatives, they have triggered a decoupling of economic growth from the use of resources at EU level. It should therefore first be acknowledged that the EU has a comprehensive environmental *acquis* and efforts should concentrate on fully implementing the *acquis* and then on modernising (in case of policy gaps or overlaps) and simplifying it, before proposing new legislation.

There are areas where further progresses can be made:

- In the short term, significant improvements in resource efficiency can be made by reducing the bureaucracy of when materials and articles are being reincorporated in Europe into the value chain through recycling and reuse. To that end, proper enforcement of pragmatic end-of-waste criteria measures could help reduce the bureaucracy of intra-European shipments but should not serve as a leakage of recyclable materials to countries not meeting the Environmental Sound Management criteria set in the EU regulations and the United Nations Basel Convention.
- European companies have already widely developed resource-efficient technologies, processes and products and will continue to do so. It is for this reason that the EU is amongst the most resource-efficient regions worldwide. The EU should therefore pursue an ambitious strategy to use its influence to



work with international institutions towards harmonisation of appropriate global standards, to help provide a level playing field and deliver environmental improvements and sustainable development internationally.

### **Fiscal policy should ensure cost-effectiveness and tax neutrality**

Fiscal policy should be assessed with the aim of issuing recommendations on the most efficient and effective measures to enhance competitiveness, production and demand. In this context, environmental taxes should ensure cost-effectiveness, tax neutrality and eco-efficiency.

- Regarding cost-effectiveness, it has yet to be demonstrated that taxation is the most efficient way of encouraging a sustainable use of natural resources, as opposed to market-based mechanisms.
- Regarding tax neutrality, it is imperative that companies do not bear an increase of their overall tax burden as a result of any tax on the use of natural resources. Therefore, if environmental taxation is to be increased, this should be compensated by a reduced level of taxation on social security contributions or other direct taxes, in order to be conducive of growth and job creation, and not hamper competitiveness of European businesses in the world. At present, it is questionable whether tax neutrality at EU level can be attained, as direct taxation and social security charges are within the jurisdiction of the Member States, not the EU.
- Regarding eco-efficiency, a full life cycle perspective must be considered to ensure that fiscal measures do not generate collateral damage by shifting the impact from one phase to another or, for example, from environmental impacts and social impacts.

Finally, the taxation of natural resources must be seen in conjunction with other long-term environmental taxation, corporate rules, and fiscal policies to ensure coherence and consistency, and to prevent conflicts between contradictory proposals and existing or planned policies.

### **Support business by supporting the consumer**

As the resource efficiency policy agenda develops so must its engagement with consumers. This does not mean that consumers alone will drive business action on resource efficiency. Consumers look to business to help them make the right choices, and the latter is increasingly aware of this responsibility. Nevertheless, it is important to recognise the limited awareness and understanding of 'resource efficiency' amongst consumers.

By providing information, business enables consumer purchasing power, and this is where product labelling has a role to play. However, without a broader consumer understanding of 'resource-efficiency', additional product labelling measures risk undermining the value of existing information.



Public procurement policies can also be a valuable tool for the promotion of resource efficient practices and recycling. If properly defined and targeted at the right products / services / works, EU-wide voluntary-based GPP criteria could be a powerful catalyst for the inclusion of resource use considerations in public procurement practices throughout Europe.

\* \* \*