

**EUROPEAN INDUSTRY'S VIEWS ON THE INSTRUMENTS PROPOSED IN THE GREEN PAPER ON  
INTEGRATED PRODUCT POLICY**

**UNICE'S 2<sup>ND</sup> CONTRIBUTION TO THE  
COMMISSION'S STAKEHOLDER CONSULTATIONS**

INTRODUCTION

In its Green Paper on Integrated Product Policy (IPP) (COM(2001) 68 final), the European Commission proposes a strategy to strengthen and refocus product-related environmental policies, and examines a range of instruments that could contribute to reducing the environmental impact of products throughout their life cycle. For European business and industry, firmly committed to continuous improvement of product performance, the development of an IPP strategy represents an issue of central importance. In a previous paper, UNICE outlined a number of guiding principles on which such a strategy must be based and emphasised the need to take a balanced approach that integrates the three pillars of sustainable development. Bearing those fundamental principles in mind, European industry below comments in greater detail on some of the specific policy instruments that are proposed in the Green Paper.

INDUSTRY'S VIEWS ON INSTRUMENTS FOR IPP

- THE PRICE MECHANISM: ECONOMIC INSTRUMENTS

In its Green Paper the European Commission refers to the use of market-based instruments aimed at correcting market failures according to the polluter-pays principle as a central element of the strategy. While recognising the theoretical underpinning of the Commission's proposal, UNICE has serious reservations with regard to the feasibility of introduction of instruments such as differentiated taxation or environmental taxes and charges, and their practical implications and consequences for European industry.

Firstly, proposals to internalise external costs on a European basis tend to disregard the fact that European business has to compete in a global market. The introduction of such instruments necessitates a careful prior evaluation of the effects on the competitiveness of European industry. Secondly, the application of differentiated tax rates would require a precise assessment of the environmental performance of products which to date is not possible since there is neither a clear methodology nor sufficient data available. Without clear and objective criteria that allow comparison of environmental impacts of products throughout their life cycle, there is no foundation for differentiated taxation. This is all the more so given the fact that the environmental performance of products is determined not

only by intrinsic properties but also by the way they are used. Thirdly, the *static and discrete* categorisation into “green” and “less green” products that is necessary to apply different tax rates seems to be incompatible with the reality of innovation and technological change, which are *dynamic and continuous* processes. Finally, differentiated taxation such as reduced VAT rates for products carrying the European eco-label may lead to considerable problems with regard to existing WTO rules.

All of the above arguments suggest that the introduction of economic instruments within the framework of IPP as put forward in the Green Paper is neither practically feasible nor desirable as things currently stand. UNICE therefore invites the Commission to reconsider its proposals accordingly when further defining the strategic framework for IPP in the forthcoming White Paper.

- ENVIRONMENTAL LABELLING

UNICE believes that IPP should be built on improved co-operation and communication between the stakeholders concerned. In this respect, the provision of understandable, relevant and credible information according to broadly accepted standardised rules undoubtedly has an important role to play.

Different types of environmental labelling may help purchasers and consumers to reach well-informed decisions. The Green Paper, however, puts too much emphasis on ISO Type I (third party verified) eco-labels, an instrument which has serious limitations and disadvantages, as past experience has shown. For industry, green claims and self-declarations according to ISO Type II as well as environmental product declarations (EPDs) in line with ISO Type III are the preferred options since it should be up to the business community to take responsibility for their products in the first place. More particularly, if done in accordance with common requirements laid down in the ISO 14000 series, EPDs have a considerable potential to enhance the environmental performance of products by improving business-to-business communication along the supply chain. However, European industry deems it essential that environmental labelling remains a voluntary instrument. Under no circumstances should it be made quasi-obligatory by establishing links to public procurement legislation or differentiated taxation.

The need to improve communication cannot be met by means of environmental labelling alone. For some products, the environmental impacts arise mainly during the use phase. UNICE therefore believes that ways of improving the provision of information on the correct use of products to minimise their environmental impact should be explored. Many companies have already taken action in this respect. Finally, the potential advantages of new communication technologies should be thoroughly examined in the forthcoming White Paper.

- GREEN PUBLIC PROCUREMENT

The Green Paper considers ways of increasing the demand for “green products” through public procurement. Among the measures envisaged by the Commission are revision of public procurement legislation and launch of awareness-raising initiatives for public authorities.

European industry believes that a clear distinction has to be drawn between the specification of eco-criteria in the subject matter of public contracts and the use of environmental characteristics as a decision-making criterion for favouring one tender over another. As regards the former, UNICE recognises that it is legitimate for public authorities to incorporate environmental criteria in public calls for tenders. UNICE recalls that existing public procurement legislation already allows for this, independent of the monetary value of the contract. Concerning the latter, European industry believes that purchasing decisions should continue to be made on the basis of the best offer in economic terms, since any deviation from this principle would give rise to arbitrary decisions. In summary there is therefore no need to revise public procurement legislation. However, UNICE welcomes the Commission's intention to improve information of authorities on how they can better integrate environmental considerations in their procurement policy, since this may increase the clarity of requirements specified in calls for tenders and enhance the transparency of the decision-making process.

In line with the above, UNICE further emphasises that public procurement legislation should not be designed in a way that renders voluntary schemes such as the European eco-label or EMAS quasi-obligatory, making it particularly difficult for SMEs to participate in a market that represents some 12% of the EU's GDP.

- LIFE CYCLE ANALYSES (LCA) AND ECO-DESIGN

UNICE considers the generation of life-cycle-oriented product information to be an indispensable component of IPP. LCA can be an effective tool for companies systematically to analyse, assess and evaluate the environmental aspects and impacts associated with a product throughout its life cycle. The information gathered may help to identify potentials for improvement. As such, LCA can be one useful tool among others for environmentally sound product development.

However, UNICE stresses that LCA must remain an internal tool to be used by companies on a voluntary basis. It is not designed to serve as an instrument for public policy-making. Nor should the information generated be used to compare different products or to distinguish between "greener" and "less green" products. This is firstly because an LCA refers to the life cycle of a specific product at a particular point of time in a particular market. Hence, the information generated refers to specific cases and should not therefore be used to draw conclusions of a general nature. Secondly, there is currently a lack of reliable and comparable life cycle data that would allow the use of LCAs for purposes other than those mentioned above.

UNICE recalls the fact that LCA, especially if carried out in a comprehensive manner, can be costly, time-consuming and complex. This makes it virtually impossible for SMEs to use it on a regular basis. UNICE would therefore welcome measures targeted at facilitating the use of LCA by SMEs.

As regards eco-design, UNICE is fully aware of the importance of integrating environmental considerations in the product design phase. In this respect UNICE welcomes initiatives that promote the development, dissemination and application of best practices.

- STANDARDISATION AND NEW APPROACH

UNICE is open to discussing ways of using the standardisation process, in particular in connection with New Approach regulation as an instrument to pursue the goals of IPP. The New Approach combines the benefits of harmonising product-related regulations with those of using private, market-driven standards. Harmonisation of product-related regulations is necessary to make the internal market function effectively. More than twenty existing New Approach Directives, most of them regulating safety aspects of product design, have removed technical barriers to trade for many products and thus contributed to the smooth functioning of the internal market. They contain only general requirements, making reference to voluntary European standards for the details. This strategy follows the idea of sharing responsibility between the regulator and the market actors and therefore in principle commands the support of European business and industry.

As a proven instrument to regulate product design, the New Approach is potentially well suited also to cover environmental aspects of products, again leaving the details to be addressed by the standardisation bodies. The forthcoming Directive on the impact on the environment of electrical and electronic equipment (EEE) can serve as a test case. However, a careful analysis of experience with this Directive will be necessary before this approach is endorsed in connection with environmental aspects on a broader basis.

UNICE's general support for the New Approach and recognition of its potential to deliver flexible and innovative solutions within the framework of IPP is subject to the following conditions being met. First, product-specific provisions under the New Approach should not simply be added on to traditional legislation but should effectively contribute to deregulation in areas such as chemicals or waste policy. Secondly, whether or not the New Approach is successful is likely to depend on the soundness of the standardisation process. Thus, clear mandates need to be given to the standardisation bodies, stakeholders must be involved and the efficiency of standardisation organisations has to be optimised.

- PRODUCT PANELS

The Green Paper refers to product panels as a way to stimulate environmental improvement. Industry recognises the potential of stakeholder fora to identify opportunities for the improvement of products but emphasises that their effectiveness depends primarily on the way they are set up in practice. Product panels should involve representatives from the entire product chain including suppliers, producers, retailers, consumers and recyclers. Further, they should reflect a whole spectrum of companies rather than focusing too much on a few environmental "front-runners". This would allow environmental improvements to be accomplished on a broader basis and thus serve the overall aim of IPP. Notwithstanding the need to complete the Single Market, product panels are likely to be most successful if set up at national level. In any event, careful preparation is needed before product panels are widely established.

- ENVIRONMENTAL MANAGEMENT SYSTEMS

As outlined in UNICE's position on general principles with regard to IPP, European industry is firmly committed to achieving continuous improvement in a whole set of product

characteristics, including quality, safety and environmental performance. "Environmental management" should therefore be seen as an integral part of the management process as a whole. With this in mind, UNICE acknowledges the value of recognised standards such as ISO 14001 or EMAS since they help to integrate environmental considerations systematically into the overall management process by providing a structured approach to improve the environmental performance of processes, products and services. The management approach recognises the fact that product policy is primarily a corporate issue, that companies are competent for their own products and that every product has its own scope for improvement.

UNICE believes that, in pursuing the goals of IPP, a key for the success of management approaches is that they are applied along the whole supply chain. Hence, rather than defining specific requirements for a single product, the system can be optimised by identifying potential for improvement in its elements and consequently taking measures where they are most environmentally effective and economically efficient. However, there are certain barriers to taking a product chain perspective that still have to be overcome through, for instance, the development of tools to share information between the different actors in the supply chain.

In summary, UNICE believes that the management approach (including environmental management, the latter also covering product dimensions) should form a central element of the future strategy to move towards sustainable product policy in Europe. Existing environmental management systems (EMS) in connection with companies' overall product management already provide the organisational framework necessary to realise continuous improvement of products throughout their life cycle. European industry therefore sees no need to establish additional standardised management systems that are targeted specifically on the environmental performance of products.

#### CONCLUDING REMARKS

UNICE welcomes the fact that the Communication (COM(2001) 264 final) and the conclusions of the Gothenburg summit stress the importance of developing and implementing the EU IPP in co-operation with business against the background of the wider objective of sustainable development. UNICE has made a significant contribution to the ongoing stakeholder debate by outlining its views on the subject in two separate position papers on guiding principles and proposed instruments. We regard it as crucial that the concerns raised in these papers are properly reflected in the forthcoming White Paper. The success of IPP as a framework that outlines clear objectives and promotes the continuous improvement of products throughout their life cycle ultimately depends on the expertise, competence and innovative capacity of industry. Industry's involvement in the further development of a policy framework for IPP is therefore indispensable.