Brussels, 1 June 2017

ORGALIME COMMENTS ON THE COMMISSION ROADMAP REGARDING THE DEVELOPMENT OF A MONITORING FRAMEWORK FOR THE CIRCULAR ECONOMY

1. GENERAL COMMENTS

Orgalime thanks the European Commission for the possibility to comment on the Roadmap regarding the development of a Monitoring Framework for the Circular Economy.

We support developing such a framework at EU level and widely share the objective that it should aim at measuring progress at EU and Member States level, through a limited number of indicators that capture the main elements of the Circular Economy. These, according to the Circular Economy Action Plan are "*to maintain the value of products, materials and resources in the economy for as long as possible and to minimise the generation of waste to develop a sustainable, low carbon, resource efficient and competitive economy*".

To be able to live up to this objective and especially "*to allow assessing the effectiveness of EU and national action, to identifying best practices and differences in performances in specific areas as well as the possible need for further action*", as the Roadmap suggests, **indicators** need to be **meaningful, measurable, capable of appropriately informing stakeholders of the trends** and provide a **comprehensive picture about resource use and resource efficiency in the European Union and in Member States**.

In addition, **indicators need to be methodologically sound** to ensure proper measurability and consequently comparability.

We therefore **welcome that the Roadmap explicitly states that all indicators included in the monitoring framework will meet the RACER[1]- principle** (data availability, fitness for purpose to guide regulators in their policy making, consistency, completeness or timeliness).

In particular, **data availability is an issue** and there is still a need for improvement to ensure **reliable databases and standardisation processes on data measurement**. European standardisation should be used to fil the gaps where it is possible.

As the resource efficiency agenda combines the economic and environmental spheres, so should indicators. They should depict resource use and consider technological developments alike. As outlined in previous Orgalime position papers (see here and here), **indicators should help to steer European environmental policy to maximize resource efficiency and competitiveness alike**.

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[1] Relevant, Acceptable, Credible, Easy, Robust

Orgalime, the European Engineering Industries Association, speaks for 40 trade federations representing the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs some 10.9 million people in the EU and in 2015 accounted for more than €1,900 billion of annual output. The industry accounts for over a quarter of manufacturing output and a third of the manufactured exports of the European Union.

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If established in the proper way, indicators could serve as a helpful information tool and help for understanding:

- the link between economic growth, industrial competitiveness and resource efficiency.
- the case for resource efficiency as an economic agenda: they should support the EU's competitiveness jobs and growth agenda for Europe.
- the trends of resource use and their environmental impact.
- how to identify the biggest improvement potentials for resource use in a Circular Economy.

We invite the Commission to reconsider its present approach of "Europe-intern" indicators, as this would take into account that 70-85% of the resource efficiency potentials lie outside Europe (see McKinsey report, Resource Revolution: Meeting the world's energy, materials, food, and water needs, November 2011).

We suggest structuring the dashboard along the following four categories: economy, environment, technology and (environmental) policy implementation score (see Orgalime position paper of 22.10.2012). Such a comprehensive approach could give an indication of how to best maintain a strong industry in Europe, create jobs and growth in an overall sustainable, low carbon, resource efficient and competitive economy.

2. COMMENTS ON THE 10 DRAFT INDICATORS PRESENTED TO THE RAW MATERIALS SUPPLY GROUP

At the recent Raw Materials Supply Group, a set of 10 indicators has been presented for debate. We herewith provide our initial reaction to each of them in below table.

Generally speaking, we are convinced that for a meaningful and comprehensive picture regarding progress made for the Circular Economy the following aspects need to be taken into account:

- Indicators and conclusions derived from them should not result in punishing product manufacturers that continuously reduce resource input and their use in products through multiple ways. Too strong or isolated a focus on the development of secondary raw material markets, notably in the area of "competitiveness, innovation and economy", ignores the significant contribution made by producers of products through other means, such as by reducing (primary or secondary) resource input. The most resource efficient solution is the resource that we do not use, whether primary or secondary. Also, the key driver of growth in industry today is the digitisation of industry, which improves productivity, resource and energy efficiency simultaneously, and thereby is an essential element of the Circular Economy in terms of "doing more with the same or less".
- Indicators for the Circular Economy, especially when supposed to inform on "competitiveness, innovation and economy" should reflect such trends to be meaningful.
- Indicators must not result in misleading information that would risk discriminating between one industrial sector and another. Too strong, or even exclusive a focus on maximising recycling output of valuable materials for the Circular Economy risks misleading results and possible wrong policy conclusions to follow. This can have overall negative consequences for the EU economy, including on jobs, growth, environment or human health. This no doubt, would not be the objective of the Circular Economy that pushes for "*a sustainable, low carbon, resource efficient and competitive economy*".
- Indicators need to also capture the improvement of qualities of secondary materials.
- A dashboard of indicators is indeed more appropriate to provide as comprehensible as possible a picture rather than one lead indicator.
- Indicators can only be established where common methodologies exist and where these are supported by reliable, measurable data. As mentioned above, we support the RACER principles.

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- Considering the (significant) remaining issues of missing common methodologies, data availability and quality gaps, it is important to underline that at this stage indicators can only provide a partial picture and inform on certain trends. We support starting with indicators that measure progress at the waste management stage as this is the stage where one can effectively measure if the Circular Economy is developing bottom up or not. Identifying best practices and deriving concrete policy measures from this at this stage must however be applied with the greatest care.
- Moreover, resource efficiency indicators should not to be set in isolation from other policy areas, EU regulations (e.g.: the Ecodesign Directive) and possible other targets, such as an increase of the industrial policy target of the value created by manufacturing industry, which we widely support.
- We invite the Commission to go beyond "Europe-intern" indicators, as this would take into account that 70-85% of the resource efficiency potentials lay outside Europe.

Suggested area & indicator	Orgalime comment
Area: Production and consumption	
Indicator 1: EU self-sufficiency for critical RM	Illustrating through visuals trends in Europe's import dependency makes sense. However, the proposed indicator of EU self-sufficiency for critical raw materials is in our view too limited in terms of meaningfulness. For example: • Even in a scenario of 100% recycling, the EU can never become self-sufficient in terms of (critical) raw material input. • It would not appropriately illustrate several technology trends supporting the Circular Economy, such as reducing material input as such (whether primary or secondary). • Technology and process innovation is by nature driven by reducing material input, thus by reducing the amount of (critical) raw material inputs into production processes of products so that their resource efficiency, cost-efficiency and overall sustainability is constantly improved. However, the lower the amounts of (critical/valuable) raw materials in the product, the less economically viable the recovery process risks to become. Consequently, economies with a higher degree in self-sufficiency for critical raw materials on the basis of the suggested indicator would be those that use more of these materials in products, which would however be in opposition to the overall Circular Economy objectives and manufacturers' efforts in "doing more with the same or less". Or, if policy forced the squeezing out the last bit of critical raw materials from an appliance, this could become very costly. • Also, product manufacturers strive for the substitution of critical raw materials in products where possible. This would decrease Europe's resource dependency while the suggested indicator would exactly lead to misleading (policy) conclusions. • Material innovation is a key factor for competitiveness, and European engineering companies are often in a world leadership position.

	Self-sufficiency implies using the same materials over and over again. This can be expected to limit resource efficiency potentials and the competitiveness of European engineering industries. Therefore, measuring and illustrating through visuals trends of • the ***amounts of raw materials, primary and secondary, whether critical or not, placed on the market in the EU and national economies***, and • the ***amounts of all wastes generated in the EU and in Member States through all routes*** (including in particular also waste shipments or wastes going to landfill) could in our view provide a more meaningful starting point to inform on the progress made on the Circular Economy, including on whether or not there is a trend of increasing the share of secondary raw materials in total consumption or not. These could support the validity of the suggested indicator 7 of "Contribution of recycled materials to raw material demand", indicator 5 on "Recycling rates" and indicator 8 on "Trade in recyclable raw materials (with the EU, with outside the EU)". The newly suggested EUROSTAT Indicator on "Cyclical Material Use Rate" could be an interesting complement, too.
Indicator 2: Green public procurement in EU wide procurement	This suggested indicator could in our view provide useful indication regarding the uptake of innovative technologies in an important market segment. Any approach which includes green public procurement should we would hope be based on Life Cycle Costing to support innovation.
Indicator 3: Waste generation per capita (municipal), AND per GDP unit (all waste except major mineral waste) AND per DMC unit	Gathering data on waste generation through all routes is indeed important, especially to also capture information regarding (illegal) leakage of waste streams from producer schemes where existing (e.g.: WEEE). However, since data are not harmonised and dependent on economic structure, methodological and data gap issues should be addressed as a priority to close current information gaps.
Indicator 4: Food waste	No comment.
Area: Waste management	
Indicator 5: Recycling rates	Recycling rates are generally meaningful indicators. However, due to different calculation methodologies comparability between Member States is today not possible. Striving for a common calculation methodology through the pending amendment of the Waste Directive is welcome.

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	Quantity of waste treated is one indicator of progress in a Circular Economy. The quality of the secondary raw materials retrieved from the waste treatment process however is at least as important for measuring progress for the circular economy, especially as secondary raw materials are supposed to enter a next generation of new products. Products that use secondary raw materials need to be able to comply with sector specific legislation, such as restrictions of the use of certain substances in electrical and electronic equipment (such as the REACH Regulation EC 1907/2006 or RoHS Directive 2011/65/EU). Just producing high quantities of secondary raw materials without taking into account market needs or potential does not make sense. In addition: - Capturing the level of implementation of relevant waste legislation in Member States and its enforcement, such as in the area of existing waste treatment standards including existing WEEE treatment standards, could in our view be helpful. - Also, Indicators to measure technological progress, including the green R&D in the public sector would in our view provide important information for the Circular Economy. The proposed EUROSTAT indicator "Cyclical Material Use Rate" can be an interesting complement.
Indicator 6: Recycling rates for specific waste streams (overall packaging, plastic packaging, WEEE, wood packaging, bio-waste construction and demolition)	Recycling rates for all waste streams should be addressed, not selected ones only, as the picture would not be comprehensive. WEEE for example accounts for less than 1% of the EU's total waste generated.
Area: Secondary Raw Materials	
Indicator 7: Contribution of recycled materials to raw material demand (= end of life recycling input rate)	This could be a meaningful indicator provided that recycled contents are not forced into products by legislation. It is impossible to verify the recycled content in a material with currently established methods. Market take up of secondary raw materials will happen where they answer our industry´s technical and technological needs and are also competitive. Market forces need to decide upon market uptake of secondary raw materials. This would give proper information regarding the qualities of secondary raw materials. However, the indicator and information derived from it should take into account exports of wastes and exports of secondary raw materials.
Indicator 8: Trade in recyclable raw materials (with the EU, with outside the EU)	This could be helpful, however it is limited in terms of comprehensiveness. It would be important to capture the trade of waste, and especially establish an indicator of waste shipments within the EU and outside the EU.

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	This would provide useful additional indication of the total amount of waste generated in the EU, notably of (valuable) waste fractions, such as coming from WEEE.
Indicator 9: Private investments, jobs and gross value added: recycling sector, repair and reuse sector	We welcome establishing indicators regarding competitiveness, innovation and economics. However, the proposed indicators 9 and 10 are too limited, since they focus on the recycling, repair and reuse sector only. Also the definition of these sectors remains unclear. Would manufacturers repair and reuse activities be included? We have doubts whether the suggested approach of identifying relevant NACE codes for their definition is appropriate. We would additionally see the need for describing resource efficiency developments in four categories: Economy, Environment, Technology and (Environmental) Policy Implementation Score (see position paper of 22.10.2012). Particular attention should be given to the **absolute growth of the green economy,** such as investments in and turnover of clean-tech and green technology and RE infrastructure, provided that proper criteria and, in particular, a proper definition of Clean Tech, as a broad concept including all technological efficiency measures, could be defined. Technological progress could also be measured with a set of indicators, including the green R&D in the public sector. As definitions and data are still in their infancy, additional efforts are however needed in this respect.
Indicator 10: Number of patents related to recycling and secondary raw materials	We make a similar comment as to indicator 9: the focus on recycling and secondary raw materials is too narrow.

IN CONCLUSION

Orgalime believes that the Roadmap includes a correct problem analysis in so far as measuring progress requires common methodologies and sound, reliable, comprehensive data to be filled by reliable sources. The RACER principles should indeed be the basis for establishing indicators for the Circular Economy.

We believe that it is a sensible approach to start with setting key indicators for areas where common methodologies and data availability are most mature today. In this context, we support the work to date, and in particular indicators 2, 3, 5, 7 and 8. Resolving remaining methodological and data availability issues will further strengthen their reliability and meaningfulness.

Also, the newly suggested EUROSTAT Indicator on "Cyclical Material Use Rate" could in our view become a useful and necessary complementary indicator for measuring progress, including technology innovation.

On the other hand, to come to relevant information that would in particular allow reliably informing policy makers for their decision making process, we believe that more work is needed to set in place a solid monitoring framework. Especially the suggested indicators 1, 9, 10, in our view, remain insufficiently representative or reliable today.

Orgalime believes that it would be worth exploring for example the following indicators:

- The level of implementation of and compliance with EU waste legislation in Member States and the level of enforcement, notably of waste shipment and landfill policies
- The amounts of raw materials, primary and secondary, whether critical or not, placed on the market in the EU and national economies
- The amounts of waste generated in the EU and in Member States through all routes (including in particular also waste shipments or wastes going to landfill)
- Energy dependence
- Share of renewable energies in gross final energy consumption
- Landfill rates of waste excluding major mineral waste
- Indicators to measure technological progress, including the green R&D in the public sector. As definitions and data are still in their infancy, additional efforts are however needed in this respect.
- Indicators on waste treatment practices and the level of uptake of innovative technologies, such as waste sorting technologies or digital solutions (investment rate of recycling sector into innovative processes)
- Trade of wastes in the EU and with outside, especially wastes exports outside the EU
- Indicator to capture the level of industrial symbiosis

Overall, describing RE-developments in four categories Economy, Environment, Technology and (Environmental) Policy Implementation (see Orgalime position paper of 22.10.2012) appears most promising to us. Particular attention should be given to the **absolute growth of the green economy**, such as investments in and turnover of clean-tech and green technology and resource efficiency infrastructure, provided that proper criteria and in particular if a proper definition of Clean Tech as a broad concept including all technological efficiency measures could be defined.

We thank the Commission for taking into account these initial remarks and look forward to further contributing to the debate.

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