



1 June 2017

## Ad-hoc consultation Raw Materials Supply Group on circular economy monitoring framework

BusinessEurope welcomes the attempt by the Commission to measure progress in the circular economy and the opportunity for stakeholders to provide input. Please consider the following comments:

### **Indicators do not focus on “closing the loop”**

The set of ten indicators proposed by the Commission seem to have a very strong focus on recycling, and therefore this significantly restricts the evaluation process. Though these indicators can help to get a clearer picture of the status of the circular economy in the Member States, they do not yet represent the “full circle”, such as product design, informing consumers, and workforce retraining (for more examples, please see the [2015 position paper](#) by BusinessEurope). The indicators would also benefit from taking into account what industry is already doing, in particular through industrial symbiosis, where one company’s waste is another’s inputs. Industry could possibly even contribute more to closing the loop if (regulatory) barriers that counteract greater resource efficiency today were removed.

### **Need for a common methodology and way to measure progress in the circular economy**

It is important that the methodology used enables Member States to measure progress on a comparative basis. A common methodology must be found so as to avoid that various indicators, calculated on the basis of diverging methodologies, serve different objectives. The relevance of certain indicators for measuring progress towards a circular economy is ambiguous. For instance, the indicator for green public procurement (indicator 2) would include a checkbox asking whether ‘a technical specification, award criterion, or contract performance condition aims at reducing the environment impact of the procurement’. This can potentially be open to significant room for interpretation and might not capture the fundamental issue as to whether there is any relevance for the circular economy. There is the risk that because of this ambiguity, the contribution of public tenders focusing on the transition to a circular economy might be overstated or understated. It may also miss out on energy and material savings in the use phase. Furthermore, national recycling targets in general are not well comparable.



If there are different ways to measure an indicator, this might lead to perverse incentives. Reference is made to the generation of municipal waste per capita (indicator 3a), which puts countries at a disadvantage that either:

- Have more small- and medium-sized enterprises, as not only waste from households but also from small businesses are counted as “municipal waste”.
- Are honest and diligent about monitoring waste.

These issues are what makes certain countries look like worst performers, whilst in reality they are simply collecting the most and/or only count materials that actually get recycled. If the Commission wants to reliably measure progress in the circular economy, then there must be an equal basis on which we calculate such progress.

### **Use of average data leads to inaccurate specifications**

The focus seems to be on maximising recycling without a consideration of either the quality of the recycling process or the quality of the recycled products. Measuring average recycling rates might lead to inaccurate reporting on the progress towards a more circular economy and not reflect the true situation at sectoral or Member State level. Furthermore, the use of average data does not capture the specificities or mixtures of all kinds of grades, even within sectors. For example, recycled plastic packaging materials often have different properties compared to virgin materials. A significant part of the commercially available waste comes in dark or greyish colours, or with a bad smell, which creates supply difficulties when producers want to use colours or scented goods (such as laundry detergent). Another example is when brand holders experience quality problems using recyclate. If a branded product requires a brilliant white plastic container, this might not be achievable without a high level of virgin polymer.

It is therefore important that any indicators take into account local or regional conditions, as well as sector specificities if needed.

### **It is unclear what the Commission plans to do with these indicators**

Some of the proposed indicators are new indicators that have not yet been tested for robustness. For example, as was shown during the ad-hoc workshop of the Raw Materials Supply Group (RMSG) on 18 May, some participants objected to the name of the “cyclical material use rate”, because it is more a measure of end-of-life input rate than of actual use. Furthermore, the Circular Economy Action Plan by itself does not have an objective to reduce the use of raw materials, but rather to maximise their value in use.

A truly circular economy is complex and uses a multitude of pathways. It has to have the necessary flexibility for each sector and each company within a sector to adapt it to its particular business model, in order to make it a success. The effectiveness of business models should serve as a success parameter for circular economy and cannot be constrained by a too rigid policy framework



based on a limited set of indicators. It is also important to realise that the circular economy should contribute to overall sustainability, including CO2 and climate change. The indicators of the Monitoring Framework should therefore be used as a means to explore possible trends, rather than a basis for firm policy-related conclusions.

In conclusion, designing the monitoring framework is a complex task and it is a step in the right direction from what we have today. However, the set of indicators can be improved to better capture the full transition to a circular economy.