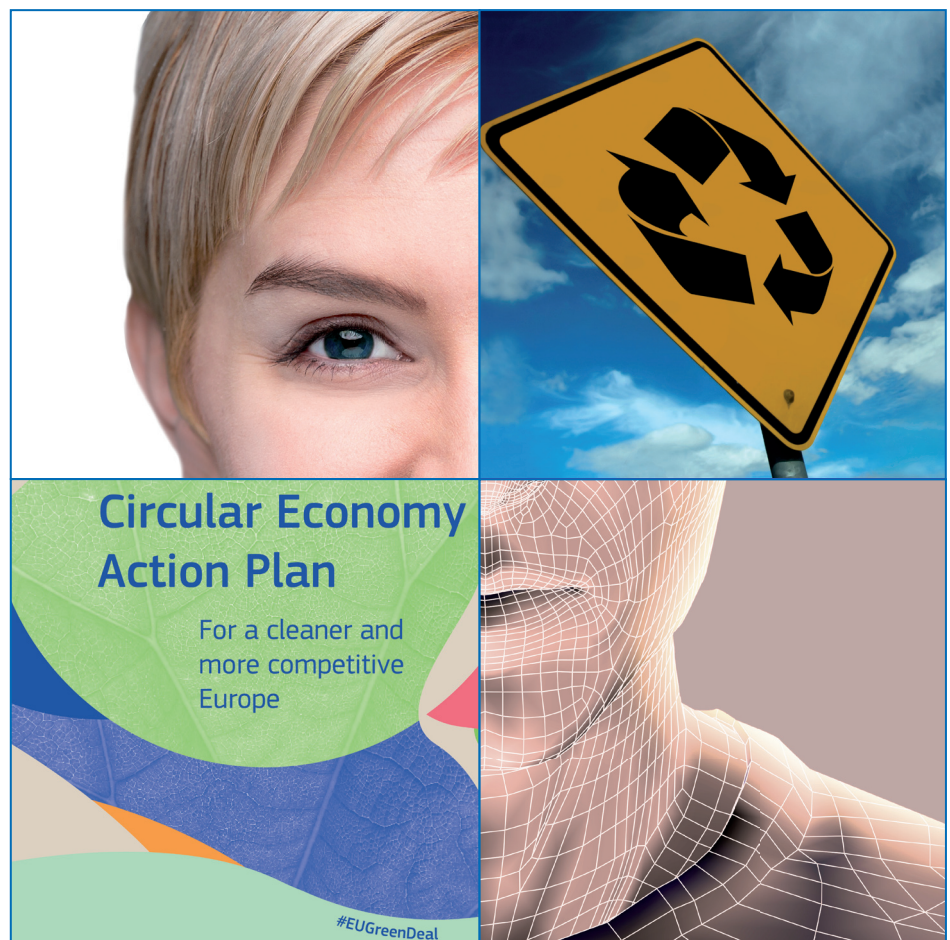


Position paper

The new Circular Economy Action Plan



The ZVEI

The 'ZVEI - German Electrical and Electronic Manufacturers' Association' promotes the industry's joint economic, technological and environmental policy interests on a national, European and global level.

The sector has round about 888,000 employees in Germany plus 766,000 employees all over the world. In 2019 the turnover was Euro 191 billion.

The electrical and electronics industry is the most innovative industry sector in Germany. One-third of the industries sales are based on new products. Every third innovation in Germany's manufacturing sector stems from solutions of this sector. More than 20 percent of all industrial R+D spending comes from this industry. Every year, the industry spends 19.1 billion euros on R&D, 6.9 billion euros on investments and two billion euros on training and further education.



The new Circular Economy Action Plan

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Introduction

The German Electrical and Electronic Manufacturers' Association (ZVEI) supports key aspects of the EU Commission's „A new Circular Economy Action Plan - For a cleaner and more competitive Europe“ (CEAP) of March 11, 2020. Striving for a circular economy is rightly at the top of the political agenda. However, a one-dimensional approach should be avoided: A competitive Europe is not solely dependent on achieving environmental objectives. The upcoming transformation will only be truly „sustainable“ if its implementation strikes a balance between competitiveness, environmental and climate protection and social responsibility. The EU Commission rightly notes that the multitude of issues associated with a circular economy increasingly requires a cross-cutting and interdisciplinary approach. It is essential that such complex challenges are analysed and evaluated at an early stage in dialogue with all actors along the value chains. Doing so, possible regulatory activities can be sensibly weighed and designed - and thus could actually be described as „sustainable“.

Considering the background of many years of experience with the implementation of sustainability-related requirements, the electrical industry is willing to make a constructive and goal-oriented contribution to a sustainable competitive Europe and thus a sustainable circular economy. Our member companies are suppliers of innovative, energy and resource-saving product solutions that already contribute to the realisation of the circular economy in their field of application. Electrical products, that have reached the end of their life, we don't see as waste, but as a recyclable source of resources. Differences in the implementation of European regulations at Member State level should be avoided at all costs. In particular, the sometimes very different levels of enforcement lead to distortions of competitive conditions and thus to locational disadvantages. This is unacceptable in a European internal market that will be even stronger oriented towards secondary raw materials in the future.

This paper provides a first assessment of the most important discussion points from the perspective of the manufacturers of electrical products. We reserve the right to publish extended statements in the course of further discussions.

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A sustainable product policy framework

- **Resource efficiency requirements under Ecodesign are ambitious but appropriate**
- **Product requirements (e.g. „right to repair“ or availability of spare parts) must always be considered product-specific and carefully checked**
- **A level playing field in Europe: no special regulations at national level!**

Designing sustainable products

From the perspective of the EU Commission, the Ecodesign Directive can be described as a success story. This is due to the fact that the directive and the implementing regulations place a clear focus on robust and verifiable as well as product-specific parameters.

The electrical industry is committed to increasing resource efficiency and to ever better functioning material and product cycles. However, the freedom of companies to develop innovative products must be guaranteed in a framework that is open to technology. Also in the future, manufacturers have to be able to determine the design of their products independently and find a balance between the use of primary and secondary raw materials, efficiency in the use phase, product life, reparability and recyclability. In addition, the safety, quality and performance of products must always be guaranteed.

In the design of electronic products many aspects are taken into consideration, such as material and energy efficiency, product safety and above all the benefit for the customer. The balance between technical, economic and ecological feasibility is addressed in product design to ultimately ensure a functional and safe product. In the heterogeneous product portfolio of the electrical industry, which consists of a large number of parts, components and materials, there are very different approaches to making products even more efficient in terms of environmental impact. ZVEI therefore asks for always applying the so-called „SMERC“ principle to any new parameters in all considerations regarding impact assessment and in discussions about possible extensions of product-related requirements:

- **Specific** – requirements must be considered on a product group-specific basis. Even within individual categories of electrical and electronic equipment, the products and their environmental impact differ significantly.
- **Measurability** – the parameter must be clear to determine. High demands must be placed on the measuring methods. They must be reliable and lead to reproducible, comparable results. They should reproduce actual user behaviour as accurately as possible, but also be easy to apply in practice. A regulation may only be adopted if the necessary harmonized standards are available, at least in draft form (CDV).
- **Enforceability** – it must be possible to verify and enforce requirements through market surveillance. The measuring methods must not entail a disproportionately high effort for subsequent verification. At present, market surveillance performs very few checks for cost reasons.
- **Relevance** – new parameters and corresponding requirements must be relevant for the environment and users. There must be evidence of clear and significant potential for improvement.
- **Competition friendly** – there must be no significant negative impact on the industry’s competitiveness (see directive 2009/125/EC, Art. 15(5)d).

Empowering consumers and public buyers

The CEAP calls for a „right to repair“, but without explaining this in detail. Several ideas are being discussed in the current public debate in this context. Some have already been taken up by the European legislator.

For example, the new Ecodesign regulations for some large household appliances and monitors stipulate that certain spare parts must be available for seven and ten years respectively. In addition, manufacturers must provide access to spare parts and repair instructions for all „technically competent repairers“. End consumers, however, will only be given access to selected, non-safety related spare parts.

ZVEI considers these requirements to be appropriate and a step in the right direction. Many manufacturers already provide spare parts and repair instructions without restrictions to all „technically competent repairers“. For safety reasons, repairs to electrical equipment should only be carried out by a specialist.

However, it remains to be seen whether these measures will actually lead to a higher readiness for repair. When it comes to the question of new purchases or repairs, consumers often decide against a repair for economic reasons, even though it would make sense from an environmental perspective. The decisive factor here is not so much the absolute cost of repair, but the relationship between the purchase price and the cost of repair. According to data from the German Federal Statistical Office, equipment acquisition prices have fallen on average in recent years, while the cost of repairs has risen. In addition, it is not uncommon for electrical appliances to be replaced by new ones, even though they still function perfectly.

An extension of the specifications on the availability of spare parts to other product groups would in any case have to be examined carefully and on a product-specific basis. Particular consideration should be given to the respective normal service life, but also to the willingness of consumers to actually have the product repaired in the event of a defect. If necessary, appropriate studies should be carried out with stakeholder participation.

Another frequently discussed measure in connection with the „right to repair“ is the labelling of reparability. Under certain conditions, a harmonised European labelling of reparability could provide useful consumer information. There are corresponding approaches and studies, but some central problems have not yet been solved.

Any labelling of reparability necessarily requires its exact and comprehensible determinability/measurability. In addition, it must be ensured that market surveillance has sufficient resources to be able to effectively check the accuracy of the labelling and, if necessary, sanction infringements. A distortion of competition would otherwise be the result.

Labelling must be simple and comprehensible. Many consumers are already overwhelmed by the variety of environmental and product labels. It must also be designed product-specific and European. ZVEI rejects national regulations.

Key product value chains

- **Maintain RoHS as a separate law and apply a risk-based approach for regulating substances and product groups**
- **Regulate batteries exclusively within the Batteries Directive**
- **No mandatory use of recycled plastics without prior development of product-specific standards for quality criteria**
- **Product safety must always come first**

Electronics and ICT

The first RoHS Directive, published at the beginning of the 21st century, was a pioneer for many other international regulations. The key factor was the focus on a few, obviously relevant substances and the relatively broad international recognition of the risk posed by these substances. In particular, the very simple structure of the directive, which was also easy to understand for small businesses and companies outside the EU, contributed to its international dissemination.

The addition of more and more substance bans, combined with an almost unmanageable list of exemptions with different scopes and expiry dates, is increasingly leading to the loss of this success criterion. The revision of the RoHS Directive in the focus of the circular economy must concentrate on the simple communication of requirements in globalised markets and at the same time aim at a risk-based approach to regulating substances and product groups with the greatest environmental impact. In any case, RoHS must remain as a separate law outside REACH - regardless of the need for improvement in detail.

The interaction between RoHS, REACH and the Ecodesign regulation as well as the POP regulation should be clearly defined. Multiple regulations should be avoided. The protection of the environment and human health is best ensured by a holistic approach to risk management of chemicals and by a clearly defined interaction of the different substance regulations. The „repair-as-produced“ principle should be given high priority in substance regulations in order to enable the reusability and reparability of equipment and components in terms of a long product life. This should be taken into account when setting limit values.

Batteries and vehicles

In the second half of 2020, we expect a proposal from the European Commission for a revision of the Batteries Directive 2006/66/EC. We support the goal of the European Commission to produce or place on the market safe and sustainable batteries in Europe. This is because batteries play a decisive role in the further development of the electromobility as well as the digitalization and electrification of Europe.

Driven by the new strategic growth outlined in the Green Deal, the demand for batteries is expected to grow rapidly in the coming years. Thus, the strategic importance of batteries will continue to grow. Taking into account the essential role that batteries play in mobilising equipment and services, stabilising the electricity grid and introducing clean mobility, they will be one of the most important prerequisites for a sustainable Europe.

The European battery sector has been subject to extensive regulation at both European and national level in recent years. Many of the measures now under discussion in the Circular Economy Action Plan will in turn play a crucial role for the battery industry and its supply chain, such as chemical management, the circular economy and climate targets. The challenge facing EU policy makers and stakeholders will be to find the right balance between these different objectives.

Following this background, we welcome a revision of the European Batteries Directive and its adaptation to current market developments. The following aspects should be taken into particular consideration:

- There is a multitude of cell technologies, all of which have specific applications and individual advantages. We reject the proposal to restrict the wider use of primary batteries. Such a drastic measure should be preceded by a comprehensive assessment of all aspects regarding products, uses and the environment.
- Given the growing demand for batteries, open markets for batteries are important. Nevertheless, it is important to ensure that high environmental and social standards apply, which must be taken

- into account equally by manufacturers within Europe and by importers into the EU common market.
- The expected parallel revision of the Batteries and End-of-Life Vehicles Directives is an opportunity to harmonise these two regulatory areas well. In our view, batteries should be regulated exclusively in the Batteries Directive.

Plastics

We need product-specific minimum quality criteria for secondary raw materials based on ISO/EN standards to create a sustainable market for recycled materials.

Regarding plastics as secondary raw material we refer to our corresponding ZVEI discussion paper¹. All discussions concerning plastics should be taking place in the EU Commission's Circular Plastics Alliance (CPA) set up for this purpose. We welcome the dialogue in the platform between the various stakeholders, especially with the plastics processing industry. The CPA, which we support in particular through our European industry associations Orgalim, APPLiA and Digital Europe, provides a platform for joint dialogue. Independent national initiatives must be avoided.

We currently oppose the mandatory use of recycled plastics in products for the following reasons. We support the efforts of the EU Commission to strengthen the role of plastics in the circular economy. At present, however, there is still a lack of a sufficiently available supply of high-quality, certified recyclates that are capable of meeting the regulatory, technical and material requirements of the many different product applications over their service life. The development of product-specific standards for quality criteria of plastics recyclates as well as the promotion of (basic) research in the field of plastics recycling (independent of a specific recycling technology) are therefore important steps for a practice-oriented implementation of a circular economy for plastics.

¹ <https://www.zvei.org/en/subjects/society-environment/plastics-in-the-electrical-industry-discussion-paper/>

Less waste, more value

- **No new data(bases) - first of all, existing data(bases) must be designed in a practical manner**
- **No multiple regulations regarding specifications on product ingredients**
- **Regulate exports - strengthen enforcement and the internal market for waste**

Enhancing circularity in a toxic-free environment

Our member companies are faced with increasing demands for information on products and their ingredients. The development of new, even larger databases or data collections without prior impact assessment and proof of effectiveness does not seem appropriate to achieve the goals of a functioning circular economy. What we need are not more, but in practice relevant data that are helpful to achieve the goals (also in the context of global supply chains). Increasing the burden on European producers (especially SMEs) without positive effects for recycling and waste operators violates the principle of proportionality and will sooner or later lead to a loss of competitiveness of European industry.

The protection of business data and confidential business information must also be taken into account, along with the protection of consumers, workers and the environment.

We observe with concern that specifications on product ingredients are being regulated in an increasing number of laws without precisely defining and harmonising scopes, limits and reference values. This multiple regulation indirectly leads to important materials being withdrawn from the circular economy. In our view, the hierarchy and interaction of the substance regulations relevant to our industry (POP, REACH, RoHS, Ecodesign) must be clearly defined. Only in very justified and very specific cases substances should not be regulated in REACH or RoHS, but for example in Ecodesign regulations.

Addressing waste exports from the EU

A functioning circular economy includes clear rules for the transport and handling of waste. The EU Commission is currently focusing on preventing the export of significant quantities of waste to non-EU countries. We support this. However, the rules for handling waste in the EU must also be adapted to the requirements of the circular economy.

The current Waste Shipment Regulation is outdated and hinders the creation of a functioning market for secondary raw materials by making it more difficult to transport waste between Member States. This leads to inefficiencies in international waste management. We advocate a revision of the Waste Shipment Regulation, taking into account the following points:

- Ensuring the proper management of hazardous waste,
- Prevent illegal disposal routes and strengthen enforcement,
- Facilitating access to non-hazardous waste for recycling and recovery,
- Minimising the administrative burden of trade in high quality secondary raw materials by clarifying inconsistencies, differences in interpretation of other legislation and differences in enforcement within EU Member States,
- Examine to what extent digital technologies can assist in organising and monitoring waste shipments.

Crosscutting actions

- **Exploiting the opportunities of digitalisation - expanding synergies with circular economy**
- **Promoting digitalisation through innovation and investment in R&D**

Driving the transition through research, innovation and digitalisation

The opportunities offered by the increasing digitalisation of production structures for greater resource efficiency (for example, through Industry 4.0 or Artificial Intelligence) are already being successfully exploited by companies today and should be actively promoted by policymakers through innovation friendliness and investment in research & development. Digitalisation and the circular economy must complement each other and offer enormous opportunities for successfully advancing the idea of a circular economy and thus also contributing to the Sustainable Development Goals (SDGs).

Digitalisation is bringing about a fundamental structural change in the economy and society. The electrical industry, which with its products and solutions is a link between the analogue and digital world, is actively shaping this change. The digitalisation of the economy is the prerequisite for stable and sustainable growth, it creates added value for society and contributes to solving global challenges. Digital economy in the industrial sector means establishing the connectivity of both individual products and entire infrastructures that can extend beyond companies and include suppliers and customers. Responsible handling of data and platforms² is an important foundation of values for us.

Leading efforts at global level

- **Maintaining the competitiveness of European products on the world market**
- **Promoting global cooperation on standardization issues**

We expressly support the efforts of the EU Commission to drive forward the global transformation as well. The challenge of maintaining a competitive and innovative industry in Europe, but also of ensuring the competitiveness of European products on the world market, should be given high priority against the background of globally ramified (upstream and downstream) supply chains.

However, it should be ensured that free trade agreements reflect the objectives of the circular economy and that regulatory cooperation with the EU is promoted, especially in the area of norms and standards.

² <https://www.zvei.org/en/press-media/publikationen/guidelines-of-the-electrical-industry-for-the-responsible-use-of-data-and-platforms/>



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