

EUROPEN – lunch event on Circular Economy Package

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Ladies and gentlemen, thank you very much for this opportunity to share with you my thoughts as a producer and member of EUROPEN around the concept of Extended Producer Responsibility (EPR) and how it is proposed by the European Commission in the Circular Economy Package (CEP)

In his introduction, Martin Reynolds already eluded on the **critical importance of protecting the Internal Market for packaging and packaged goods** and to amend some elements related to EPR in this regard.

For the last three years 'Circular Economy' has been the buzz words. As if all of a sudden people had seen the light. For many producers though, circular economy thinking and acting is nothing new.

The original PPWD was already adopted in 1994 and has been a key driver of the steady increase in packaging recycling and recovery rates, and contributes to a continuous decoupling of the amount of packaging placed on the EU market from economic growth. Today, almost 65% of packaging waste in the EU already gets recycled (Eurostat).

That didn't just happen by itself.

In many EU markets producers have set up EPR schemes to comply with their legal and often financial obligations to take back packaging and meet recycling and recovery rates for their packaging. And let me remind you, that we did so, even at a time when packaging waste was worthless and no other party was even remotely interested in dealing with it. How different from today, where many parties now want a piece of the pie for which the producers are paying. But we get to that in a minute.

Besides setting up EPR schemes, and the more than 3 billion euros we pay on EPR fees today, producers have done significantly more to drive the circular economy. Please allow me to illustrate that with some significant publicly stated packaging sustainability goals from the company that I work for:

- **Prevention:** Our long-standing lightweighting program involves constantly redesigning our packs to use less material. Notwithstanding the strong success in the past, we will continue to lead our industry in lighter packaging. We have committed to using another 25% less packaging material across all our packaging formats by 2020 (CCE);
- **Recycling:** We have committed to reduce the carbon footprint of the drink in your hand by a third by 2020 (CCE). As half of this footprint comes from packaging, largely PET and aluminum, using recycled packaging material is key in delivering this commitment. We already use around 35% rPET, and by 2020 we intent to use 40% rPET or PET from renewable materials like Plant PET that TCCC developed. All this of course by keeping the same performance requirements of packaging.

Again, Circular Economy and EPR are nothing new to us, and from what I have just shared with you, I trust that there is no misunderstanding that we strongly support the objectives of the Circular Economy Package and also much of the content of the legislative proposals, certainly compared to the original proposal from 2014.

The Package has strong business implications for the packaging supply chain. Particularly for producers who have been assigned an extended responsibility since 1994. Even though the Member States are responsible for meeting the recovery and recycling targets, in practice they have delegated this legal and financial obligation to producers.

As said, from the beginning we have set up packaging recovery organizations to manage this obligation. And though we very much support competition on the operational/tendering level within the packaging recovery organization, we are now faced with growing competition amongst packaging recovery organizations. Some Member States and certain arms of the European Commission are encouraging competition at the scheme level, which has led to the introduction of commercial EPR schemes that we as producers do no longer manage. The real problem is that these schemes have been allowed without any accompanying requirements to avoid situations of unfair competition, and in some Member States resulting in the collapse of collection and sorting all together. And in the end the producers are then blamed or even severely fined for that. It's the world upside down. Already in 2014, after the publication of the original CEP, we warned that producers were facing potentially unlimited and disproportionate financial burden, beyond our responsibility or control. As being the ones who are responsible for meeting the targets and for financing that effort, our prime interest in the CEP has always been that the proposed legislation would ensure greater effectiveness against the lowest sustainable costs.

We now have a new CEP proposal and it is interesting to see where we are on this...

The new Package clearly indicates that the Commission has understood the business implications of the Package for producers. We certainly **welcome the Commission's intention to improve the transparency of EPR schemes and rule enforcement** with the introduction of Article 8a in the WFD. This will help to avoid cherry-picking of materials and geographic scope and improve transparency and cost-efficiency among all EPR schemes.

Policy Ask: **Maintain the general requirements for Extended Producer Responsibility schemes (mandatory and voluntary schemes) in the Commission proposal as detailed in Art 8a.**

Of course **we also fully support the introduction of the net cost principle** in this article. As paymasters of the system, we believe that the cost and the value of the material collected must end up on the same balance sheet, which increases accountabilities, efficiencies and incentivizes recyclability of material. In order to ensure the full application of this principle, EPR schemes for packaging waste need to be transparent to producers about the revenue received from the sales of secondary raw materials. This is also important in light of the Circular Economy Action Plan, as it will boost markets for secondary raw materials and traceability. Data on secondary material pricing within EPR will serve as a measure of the economic benefit of returning materials back into the economy and as long-term indicator for growth in this maturing market.

Policy Ask: **Add the revenue from the sale of secondary materials from packaging to the list of information required under the EPR minimum requirements for packaging waste as detailed in Art 8a (3) d.**

We also welcome the requirement for Member States to establish an adequate monitoring and enforcement framework, which will facilitate full implementation and will secure improved accountability amongst all actors involved in EPR implementation at national level.

Ladies and gentlemen, so far the good news. Notwithstanding the aforementioned efforts by the Commission to clarify and anchor EPR in the CEP, as producers we still have serious concerns about some open ends that will certainly distort the packaging waste value chain and put the effective execution of the CEP at risk.

In order to better illustrate what's still wrong with the proposal, let me play an analogy for you of someone that needs to sell an investment proposal to his Board of Directors and what the likely reply would be..:

“Dear Board members, We have a great investment opportunity! We need to build new plants to meet the demand. The cost will potentially be hundreds of millions of Euros, or even more.

Mm, That’s a bit vague? We need more precise figures.

I am afraid we don’t know the exact costs, because we don’t know exactly what is required. We have only been told that what we have to invest in includes X, Y, Z, but not what else might be included. Could be A, B and C too.

Mmm, Who will decide?

There is a whole bunch of people involved and there will be a regular dialogue between them to decide what we have to do and what our total cost will be. By the way we are not included in the dialogue.

Mmmm, Who pays for what these others decide?

Eh, We do. Everything!

Mmmmm, Are you serious?

I am afraid, I am.

You are fired!”

Putting all jokes aside, this story pretty well explains the impact of the CEP on producers. As I am representing the interests of the packaging supply chain and in particular of producers and am also keen to keep my job at Coca-Cola, you will understand my efforts in trying to convince you that even though the package is already much better than the original one, it still needs some critical amendments, particularly where it pertains EPR .

Let’s quickly run through these concerns and the associated policy asks we have,

Member States, not EPR schemes, define roles and responsibilities

Probably not intended that way, WFD, Art. 8a (1) indicates that the EPR schemes will define the roles and responsibilities of producers. Clearly, that should be the Member States themselves.

Policy Ask: **State more clearly that it is the Member States who are to carry out the actions specified in WFD, Art. 8a (1), as the current wording may be misinterpreted as tasks assigned to the EPR schemes.**

Clear EU guidance on roles and responsibilities of all EPR actors

Talking about roles and responsibilities... We agree that clear roles and responsibilities need to be established for producers and EPR schemes, though we would like to see a clearer definition of the roles of the other involved actors like local authorities and public or private waste management companies. We also feel that the role of retailers and citizens should be recognized and made explicit. I realize that many would say that defining the roles and responsibilities of all actors falls on the Member States under the subsidiarity principle. I don’t understand why this wouldn’t apply for the role and responsibilities of the producers, or is it just about the money? It’s strange that it has been defined who pays for reaching the targets, but that performance of other relevant actors is only touched lightly. If only the producer’s take back and financial obligation is defined, we believe it is only fair to allow those producers to decide on and manage the way they comply with the legal obligation in the most effective and efficient way.

Policy ask: **Provide more guidance on roles and responsibilities of all EPR actors, including retailers and consumers, at EU level, to be further detailed at Member State level.**

No Member State dialogue platform without producers

And while we are on processes... WFD, Art. 8a (6) installs dialogue platforms at Member State level for actors involved in EPR schemes. We very much welcome this proposed exchange and look forward to contributing to them. I am sure that for the Commission it was so obvious that these platforms include and start with the producers that they didn't feel the need to explicitly mention that. But as it is important for all actors to recognize the role of the producer, this should be called out explicitly to avoid any misunderstandings. After all we are expected to pay for collection and sorting to reach the recycling targets, and thus the conversation will be about the execution of our responsibility, which by the way is the only one explicitly defined. And that conversation ladies and gentlemen, cannot be about us without us.

Policy ask: **Include all actors with a defined role and responsibility in Member State EPR dialogue platforms, starting with the producers.**

Demarcate the producer's responsibility and financial obligation

Ladies and gentlemen, let me close off with what might be our biggest concern of all, which is the lack of clarity of how extended our producer responsibility really is. In WFD Art. 8a (4) the Commission proposes that the financial contributions paid by the producers cover the 'entire cost of waste management' (...), 'including all the following' and then mentions collection, sorting and 'treatment operations', to meet the waste management targets.

To understand our concern with the words 'entire cost of waste management', we need to read the article backwards. It is totally unclear what is meant by 'treatment operations' and since this is about business, some interested parties have already started to define it for themselves and include activities for which we as producers do not feel any responsibility whatsoever. Some believe that for them it will be cake every day from now on! Paid by the producers! I am afraid we will have to disappoint them. To make things worse, 'including all the following' indicates that there may be even more than the collection, sorting and 'treatment operations'. Maybe the Commission didn't mean it as such, but as we have stated over the last two years, the risk for a potentially open check is unacceptable for producers. What we gladly accept is paying the real end-of-life net costs of collection and sorting for recycling of packaging waste according to the legal targets, and the costs of communication and monitoring. Period. We therefore call on the EU Member States and Parliament to define the scope of the producer's responsibility unambiguously and limit it to reaching the targets.

Policy Ask: **Ensure that the costs on producers are consistent and proportionate to their role and responsibility. In WFD Art. 8a (4) a change 'entire cost' to 'following cost', remove 'including all the following' and delete 'treatment operations'.**

Given everything that I have said before, I hope it is clear that producers have taken their responsibilities in the past, are more than willing to continue doing that in the future, but would like to be treated fair with clarity on where responsibilities begin and end.

Thank you very much!

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Top Level Comments and Recommendations:

- EPR minimum requirements in PPWD
- Need to provide guidance on roles and responsibilities of all parties involved, not just producers, at EU level;
- Need to define the scope of EPR in an unambiguous way. The E in EPR stands for Extended, not for Endless;
- Need to provide producers with the opportunity to exert influence over how to meet the responsibilities put upon them in the most effective and efficient way. If you pay you decide the way.

- Policy Ask: Maintain the general requirements for Extended Producer Responsibility schemes (mandatory and voluntary) in the Commission proposal as detailed in Art 8a.
- Policy Ask: Add the revenues from the sale of secondary materials from packaging to the list of information required under the EPR minimum requirements for packaging waste as detailed in Art 8a (3) d.
- Policy Ask: State more clearly that it is the Member States who are to carry out the actions specified in WFD, Art. 8a (1), as the current wording may be misinterpreted as tasks assigned to the EPR schemes.
- Policy ask: Provide more guidance on roles and responsibilities of all EPR actors, including retailers and consumers, at EU level, to be further detailed at Member State level.
- Policy ask: Include all actors with a defined role and responsibility in Member State EPR dialogue platforms, starting with the producers.
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