
on the Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan

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1. INTRODUCTION

The European Union has taken important steps to reach its objectives of growth and jobs. The Lisbon strategy has delivered significant results\(^1\). Over six million jobs have been created in the last two years and unemployment has been reduced significantly. European industry is globally competitive, contributing substantially to growth and jobs. Through its Industrial Policy, the Commission has continued to set the right framework conditions for doing business in Europe.

The challenge is now to integrate sustainability into this picture. Sustainable development aims at the continuous improvement of the quality of life and well-being for present and future generations\(^2\). It is a key objective of the European Union. Yet, increasingly rapid global changes, from the melting of the icecaps to growing energy and resource demand, are challenging this objective.

The challenges are directly linked to our way of life. The way we produce and consume contributes to global warming, pollution, material use, and natural resource depletion\(^3\). The impacts of consumption in the EU are felt globally, as the EU is dependent on the imports of energy and natural resources. Furthermore, an increasing proportion of products consumed in Europe are produced in other parts of the world.

The need to move towards more sustainable patterns of consumption and production is more pressing than ever.

Much can be done for European industry and households with net benefits. According to the International Panel on Climate change, 30% of energy used in buildings could be reduced with net economic benefits by 2030. Global pressure to increase resource efficiency, and the efforts to improve sustainability could become an important source of innovation and an important asset for industry’s competitiveness.

This document presents the strategy of the Commission to support an integrated approach in the EU, and internationally, to further sustainable consumption and production and promote its sustainable industrial policy. This strategy complements existing policies on energy use, notably the energy and climate package adopted by the Commission in January 2008.

The **core of the Action Plan** is a dynamic framework to improve the energy and environmental performance of products and foster their uptake by consumers. This includes setting ambitious standards throughout the Internal Market, ensuring that products are improved using a systematic approach to incentives and procurement, and reinforcing

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\(^2\) Renewed EU Sustainable Development Strategy, Council of the EU 10917/06.

\(^3\) Environmental Impact of PROducts (EIPRO), Joint Research Centre -IPTS; National Accounting Matrix with Environmental Accounts (NAMEA), EEA. These studies show that in the EU, the consumption areas of eating and drinking, housing (including: heating, water, domestic appliances), and travelling bear between 70% to 80% of all environmental impacts.
information to consumers through a more coherent and simplified labelling framework, so that demand can underpin this policy. The approach will address products that have significant potential for reducing environmental impacts.

The challenge is to create a virtuous circle: improving the overall environmental performance of products throughout their life-cycle, promoting and stimulating the demand of better products and production technologies and helping consumers to make better choices through a more coherent and simplified labelling.

This is further supported and amplified by actions to achieve leaner production and address the international aspects.

2. A DYNAMIC POLICY FRAMEWORK FOR SMARTER CONSUMPTION AND BETTER PRODUCTS

A range of policies are in place to improve the energy and environmental performance of products. The Ecodesign (EuP) Directive\(^4\) establishes a framework for setting ecodesign requirements for energy-using products. A number of other pieces of legislation address specific aspects of the life-cycle of products, such as waste. The labelling schemes set by the Energy Labelling Directive\(^5\), the Energy Star Regulation\(^6\), the Ecolabel Regulation\(^7\) and other schemes developed by Member States, retailers and other economic operators provide consumers with information on the energy and environmental performance of products. Incentives and public procurement are being implemented by Member States to stimulate the better performance of products. The Energy Star Regulation also obliges EU institutions and Member State authorities to purchase office equipment meeting specific levels of energy efficiency.

However, a number of shortcomings are hampering the potential of these policies. Most product legislation addresses only specific aspects of a product’s life-cycle. While the Ecodesign Directive takes a life-cycle perspective, the environmental impact of energy-consuming products currently covered by the Directive only account for 31-36% of the environmental impact of products\(^8\). Information to consumers under EU policy has focused on energy efficiency for household appliances and office equipment under the Energy Labelling Directive and Energy Star Programme, or has covered only a limited number of products (under the Ecolabel). Finally, actions at national level are not coordinated.

Overall, voluntary and regulatory instruments are not sufficiently connected and potential synergies between the different instruments are not exploited. Implementation is not sufficiently dynamic and forward-looking to drive the performance of products upwards. Divergent national and regional approaches send conflicting signals to producers, and as a result the full potential of the Internal Market is not realized.

The new policy approach integrates the potential of the different policy instruments, implementing them in a dynamic way.

It comprises the following actions:

- The scope of the Directive on the Ecodesign of energy-using products will be extended to cover all energy-related products. Minimum requirements will be set for products with significant environmental impacts, focusing on key environmental aspects. To provide markets with information on best performing products, advanced benchmarks of environmental performance will also be identified. Periodic reviews of minimum requirements and advanced benchmarks will take place to adapt them to technological change and provide businesses with a long-term perspective of future regulatory environment.

- Product labelling under the Energy Labelling Directive and Ecolabel Regulation will be further developed and, following a review of the Ecodesign Directive in 2012, complemented as appropriate by an Ecodesign Labelling Directive to provide consumers with information about the energy and/or environmental performance of products.

- The energy efficiency and environmental criteria under the above schemes will be used to establish a harmonised base for public procurement and incentives provided by the EU and its Member States. This would overcome the current fragmentation of stimuli and incentives in the Internal Market.

- A range of other actions to arrive at smarter consumption will also be undertaken. In particular, action will be implemented with retailers and producers of products to “green” their own activities and supply chains, as well as raising the awareness of consumers at large and increasing their proactive role.

A broad range of environmental challenges can be tackled through this policy. Applying this approach for products with significant environmental impacts could lead to substantial environmental and economic gains. For example, the proposed actions would increase the current rates of home refurbishment that use better performing windows and improved insulation, thus enabling households to reduce energy consumption, the direct and indirect greenhouse gas emissions and save in heating.

The actions are described in detail below.

2.1. The Ecodesign Directive

The Ecodesign Directive provides rules for setting ecodesign requirements for energy-using products with the aim of ensuring the free movements of those products within the Internal market, taking a life-cycle perspective. While not directly introducing binding requirements for specific products, the Directive enables the Commission, assisted by a Committee, to enact implementing measures on specific products and their environmental aspects (such as energy consumption, waste generation, water consumption, extension of life-time) following impact assessment and consultation of interested parties.

This Ecodesign Directive currently only applies to energy-using products. With the objective of enlarging the frame also to other environmentally significant products, its product scope will be extended to cover all energy-related products, maintaining the exception of means of transport, which already is subject to separate policies and legislation for reducing environmental impacts. Energy-related products are those products that have an impact on energy consumption during use. This includes energy-using products and other products such as window frames, whose insulation properties influence the energy required for the heating and cooling of buildings, and water-using devices, whose water consumption influences the
energy required for heating. This will establish a single Community framework for the setting of ecodesign requirements for those products at Community level and ensure the efficiency and consistency of legislation by using a common approach.

Implementation will proceed as follows:

- Implementing measures will be developed for products with significant environmental impacts, significant potential for improvement and significant volumes of sales and trade, and taking into account existing Community legislation or self-regulation. For energy-using products, as covered by the current Directive, the development of implementing measures will not be affected by the Action Plan.

- For products that are not currently covered, a further Work Programme will be developed according to the provisions of the Directive once amended.

- All implementing measures are subject to detailed impact assessments and public consultation and will be based on the principle of technology neutrality

Implementing measures will consider key environmental aspects over the life-cycle of the products. They will in particular take into account energy and resource use of products. Other issues, such as the need to reduce the use of hazardous materials and rare resources will be considered as appropriate.

For the product group targeted, the Implementing Measures will, in accordance with the existing provisions of the Directive, set two levels of performance:

- minimum requirements that need to be attained by the product in order to be allowed on the Internal Market. Whenever possible, EU harmonised standards, ideally based on global standards, should be used to help manufacturers in applying the measures.

- advanced benchmarks of environmental performance, to provide markets with early indication of highly performing products available on the market and of the possible future evolution of minimum requirements. The identification of benchmarks is already provided for under the current Directive and will be pursued systematically in the future. As a general rule, benchmarks would correspond to the level achieved by the top performing products available on the market. Attaining such benchmarks will be voluntary for industry.

To aim at continuous improvement of products, implementing measures will also indicate a date for the review of minimum requirements and benchmarks on the basis of the foreseeable pace of technological change for the product group concerned. This will ensure that minimum requirements and benchmarks remain relevant with time and will provide businesses with a long-term perspective of the future regulatory environment.

Minimum requirements and advanced benchmarks of environmental performance will feed into the labelling scheme, as described below. For this purpose, Implementing Measures may also identify intermediate levels of performance.

2.2. The Labelling of Products

The Energy Labelling Directive will at this stage be extended to cover a wider range of products, including energy-using and other energy-related products.

Labelling categories will be set according to the outcome of the procedure under the Ecodesign Directive, as appropriate.
The implementing measures of the Labelling Directive will define, where appropriate, the precise modalities of the label.

The labelling will be used for indicating, on the one hand, use phase energy consumption/savings and, on the other hand, other relevant and significant environmental parameters of the product.

The Ecolabel will complement the information provided to consumers, as a voluntary label. It will act as a "label of excellence" to signal to consumers those products that perform at such a level when many environmental criteria are considered over the whole life-cycle.

The Ecolabel Regulation will be revised to simplify and streamline the process of obtaining an ecolabel, and extend the product coverage. The Ecolabel criteria will continue to cover a broad range of environmental aspects. Furthermore, Ecolabel criteria may also be developed to cover those products for which ecodesign requirements have not yet been set. Indicatively, the Ecolabel criteria for a product group will be established so that 10% of products available on the market at that time will meet them.

While the decision-making process under the Ecolabel Regulation will remain distinct from that of the Ecodesign and the Labelling Directive, the implementation of the schemes will be linked closely to ensure that the data and scientific knowledge are used efficiently and that the information given to consumers is consistent. Notably, the process of setting criteria under the Ecolabel will provide information to the analytical work carried out under the Ecodesign Directive for the setting of minimum requirements and benchmarks of environmental performance, and vice-versa. When the same product groups are addressed, the assessment methods and review timetables will also converge.

2.3. Incentives

A number of Member States are already, in compliance with the Treaty and State Aid rules, providing incentives for development and acquiring of energy and environmental performing products and “greening” their procurement practice to foster their uptake. However, the criteria that these products have to meet to benefit from incentives or public procurement can differ substantially from one country to another. This may result in fragmenting incentives in the Internal Market for the products concerned. Moreover, the potential of public procurement, equivalent to 16% of EU GDP, has only been marginally exploited.

In order to overcome this fragmentation and to further the uptake of energy and environmentally performing products, the Labelling Directive, following an impact assessment, will establish a harmonised base for public procurement and incentives provided by the EU and its Member States, as explained below.

Concerning public procurement, the implementing measures under the Labelling Directive will identify one of the labelling classes as a level below which public authorities would not be allowed to procure. This level will be set on the basis of the outcome of impact assessments for relevant product groups, for which setting such level would significantly contribute to tapping economies of scale and to inducing innovation. The level would correspond to the performance class that maximises the potential of public procurement to stimulate the market towards higher energy and environmentally performing products whilst, at the same time, ensuring an adequate level of competition in the market, taking into account product availability, and guaranteeing that the burden to public finance is, in general, not

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higher than under current procurement practices (when the full life time of the product is taken into account).

Concerning incentives, Member States will be free to choose whether, and in which form, to provide incentives to encourage the uptake of energy and environmentally performing products, while, when applicable, respecting the provisions of Community law, in particular State Aid rules. However, the implementing measures under the Labelling Directive will, subject to the outcome of an impact assessment, identify one of the labelling classes as a level below which Member States would not be allowed to set incentives. This level will be set above the applicable community environmental requirements. This will apply to product groups for which there is evidence that the fragmentation of incentives may reduce their effectiveness. In principle, this level would correspond to the level for public procurement, which would magnify the impact of the measures.

As price is one of the main determinants of purchasing choices, market-based instruments can also help get prices right and internalise environmental costs, thereby supporting the uptake of energy and environmentally efficient products. In this respect, the Commission is examining inter alia options for revising the energy taxation framework. Furthermore, the Commission has launched studies to analyse advantages and drawbacks of possible fiscal incentive mechanisms at EU level. This will provide a basis upon which to assess the need for additional initiatives for products covered, in particular, by the Ecodesign and the Labelling Directive or the Ecolabel Regulation.

These actions will be amplified and supported by:

2.4. Consistent data and methods on products

To implement this policy, consistent and reliable data and methods are required to assess the overall environmental performance of products, their market penetration and to monitor progress. Data on products and related environmental impacts required and collected under different tools should be shared where useful. Such methods also need to be cost-effective and easy to apply, for policy makers and for industry.

When possible, the use of European harmonised standards, ideally based on International standards should be explored, thereby ensuring increased competitiveness for industry and good relations with third countries and their manufacturers.

2.5. Promote Green Public Procurement

Green Public Procurement (GPP) will be further strengthened by voluntary measures, which will act as a complement to the mandatory measures described above, consistent with the rules of the Internal Market. The Commission will provide guidance and tools for public authorities to "green" their procurement practices. This includes the setting of indicative targets based on the level of best performing Member States and providing model tender specifications, which are in line with Internal Market legislation. It also includes the creation of a process of cooperation with the Member States to identify and agree upon common GPP criteria for products and services for endorsement in national action plans and guidance on GPP. Monitoring of targets will be based on compliance with these criteria. Voluntary common GPP criteria will be set for services and for those products for which mandatory levels, as foreseen under Section 2.3, will not, or have not yet, been established.

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10 See footnote 9.
Common GPP criteria will be based on the benchmarks of environmental performance and relevant labels. A separate Communication on Green Public Procurement details these measures.

2.6. Work with Retailers and Consumers

Retailers are in a strong position to influence more sustainable consumption through their own operations, supply chains, and consumer behaviour. Retailers and producers are increasingly recognising sustainability as a considerable opportunity for their businesses to grow, compete and innovate. However, further effort is needed to reduce the environmental footprint of the retail sector and its supply chain, promote more sustainable products, and better inform consumers. To achieve this, other stakeholders, such as producers as well as consumer and other non-governmental organisations, will also be involved.

A Retail Forum is being set up. It will serve as a platform to:

- identify key areas to be tackled and define the baseline of existing initiatives;
- share best practices, extend the geographical coverage of existing initiatives and look to launch new initiatives; and
- report on progress of their actions on an individual basis.

The objective is that individual large retailers commit to a series of ambitious and concrete actions with clear objectives, timelines, deliverables, and monitoring indicators.

These commitments respond to the Commission's call on business to step up its Corporate Social Responsibility, as set out in the Commission’s Communication of 2006.\(^\text{11}\)

The EU consumer policy can provide the market tools to empower citizens, as consumers, to make sustainable environmental choices. The Commission will therefore also support actions to increase consumers’ awareness and help them to make more informed choices. This will be done, for example, by developing tools to inform young people and increase their awareness\(^\text{12}\) and on-line education modules for adults\(^\text{13}\) on sustainable consumption.

3. Leaner Production

The regulatory framework for production processes is well established at European level. This includes regulatory settings such as on environmental emissions from industries (IPPC Directive)\(^\text{14}\) and the Emissions Trading Scheme for GHG\(^\text{15}\). However, there is a need to give further impetus to resource efficient and eco-innovative production processes, to reduce dependency on raw materials and to encourage optimal resource use and recycling.

In this Action Plan a set of integrated actions are proposed to work in synergy with and complement the policy for smarter consumption and better products, as outlined in the previous section, by extending, amplifying and accelerating its impact.

Action will focus on the following three areas:

\(^\text{12}\) Using the EUROPA Diary.
\(^\text{13}\) As part of the EU web-based consumer education tool DOLCETTA.
3.1. Boosting resource efficiency

Resource efficiency contributes to the goal of creating more value while using less resources. In the EU, resource productivity (measured by GDP per resource use, €/kg) has improved 2.2% per annum in real terms over the past 10 years. This means that the EU has been able to stabilise resource use in the growing economy, largely due to efficiency improvements in production as well as an increasing role of services in the economy. Improvements in resource productivity should continue at least at the same pace as this EU average.

Further tools will be developed to monitor, benchmark and promote resource efficiency, taking into account a life-cycle perspective and including trade. Detailed material-based analysis and targets will be addressed at a later stage, based on environmental significance and on access to natural resources.

3.2. Supporting eco-innovation

Innovation in the area of environmental goods and services is central to the successful implementation of this Plan, and plays a key role in innovation policy. One of the available indicators to measure the level of innovation is the number of patents in a certain area. According to the OECD, the eco-innovation patents in the EU are on rise and best performing Member States have been granting annually 3.5 patents per billion GDP (in Euro).

Tools will be developed to monitor, benchmark and boost eco-innovation and its uptake in the EU, as part of a wider EU research and innovation policy and its instruments.

An EU wide environmental technology verification scheme will be established to provide reliable third-party verification of the performance and the potential impacts on the environment of new technologies. It will be a voluntary, partially self-financed scheme, based on a regulatory framework. It will help to provide confidence for new technologies emerging on the market.

3.3. Enhancing the environmental potential of industry

Revise EMAS Regulation

The Community eco-management and audit scheme, EMAS\(^\text{16}\), helps companies to optimise their production processes, reducing environmental impacts and making more effective use of resources. EMAS operates as a voluntary eco-management and audit scheme.

In order to fully tap its potential for improving resource efficiency of production processes, the scheme will be significantly revised to increase the participation of companies, and reduce the administrative burden and costs to SMEs.

Developing industrial policy initiatives for environmental industries

Environmental industries\(^\text{17}\) contribute to improving the energy efficiency and environmental performance of the economy.


\[^{17}\text{ Environmental industries are “activities which produce goods and services to measure, prevent, limit, minimize, or correct environmental damage to water, air and soil, as well as problems related to waste, noise and eco-systems” (Eurostat/OECD (1999). This includes industries such as waste and waste water management, renewable energy sources, environmental consulting, air pollution and control, eco-construction etc.}\]
To further the competitiveness of environmental industries and favour their uptake by traditional industries, initiatives for environmental industries will be developed. These initiatives are part of the implementation of the industrial policy of the European Commission\textsuperscript{18}. For this purpose, a comprehensive screening of regulatory barriers and market failures that hamper the competitiveness of environmental industries and their uptake by other sectors of the economy will be carried out. This will address issues such the Internal Market and Better Regulation, standardisation and access to finance. The potential of Information and Communication Technologies to deliver sustainable solutions will be explored\textsuperscript{19}. Specific attention will be given to priority areas identified by the Lead Market Initiative.

**Helping SMEs**

Lack of information, insufficient expertise and scarcity of financial and human resources make it difficult for SMEs to fully exploit the business opportunities offered by a sound environmental management.

Between 2005 and 2007, the Commission introduced a number of policy measures to support European SMEs, including the improvement of their environmental performance\textsuperscript{20}. Further measures were included in the Communication for a ‘Small Business Act’ for Europe\textsuperscript{21}. Notably, the Enterprise Europe Network will contribute to raise awareness and disseminate know-how and expertise gained through other EU programmes and initiatives in the field of environment and energy.

4. **WORKS TOWARDS GLOBAL MARKETS FOR SUSTAINABLE PRODUCTS**

In addition to the main lines of action above, activity at a global level will be carried out. This will build on existing initiatives such as the Thematic Strategy for the Sustainable Use of Natural Resources; the Global Energy Efficiency and Renewable Energy Fund; and the Forest Law Enforcement Governance and Trade Regulation. In addition to these actions the Commission will undertake to:

- Promote sectoral approaches in international climate negotiations as an element of and complement to comprehensive international climate change agreement for the period after 2012. Government and industries are starting to develop sectoral approaches and commit to specific emission or energy-efficiency benchmarks. This will allow developing countries to take action in specific sectors which could reduce the growth of emissions so that sectoral emission will deviate substantially from sectoral baseline. It will also help industry curb emissions, and potentially address concerns of carbon leakage. The Commission will support the development of such approaches in the context of future international negotiation on climate change. Activities will include capacity building in key emerging economies and determining key elements needed to build sectoral approaches into the post 2012 UN climate framework.

- Promote good practice internationally. Sustainable Consumption and Production policies will be promoted, as part of the United Nations Sustainable Consumption and Production

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\textsuperscript{18} Implementing the Community Lisbon Programme: A Policy Framework to Strengthen EU Manufacturing - towards a more integrated approach for Industrial Policy - COM(2005) 474.

\textsuperscript{19} Addressing the challenge of energy efficiency through Information and Communication Technologies , COM(2008)241 final


10-Year Framework of Programmes (Marrakesh Process). Additional action will strengthen partnerships, such as through the EU-Asia partnership (SWITCH Programme) and support international roundtables and panels. In addition, at the initiative of the European Commission G8 countries, along with China, India and South Korea on June 7, 2008, took the decision to jointly establish the International Partnership for Cooperation on Energy Efficiency (“IPEEC”).

- Promote international trade in environmentally friendly goods and services. Liberalisation of trade in environmental goods and services can help disseminate green technology and thus support the adaptation to a low-carbon economy while building on and further developing European competitiveness in environmental sectors. The EU is continuing its efforts to liberalise trade in environmental goods and services in WTO negotiations under the Doha Development Agenda, and in the context of bilateral trade negotiations. This should take place, wherever possible, on the basis of international standards. The Ecodesign Directive will develop environmental and energy efficiency standards for a number of products. This can pave the way to the adoption of international standards and help create export markets for leading European companies. Trade policy and industrial dialogue should contribute to this process.

5. CONCLUSIONS AND ROADMAP

This Communication sets out an integrated package of measures to deliver more sustainable consumption and production, while improving the competitiveness of the European economy. It builds on a number of EU policies. Notably, the renewed Sustainable Development Strategy identified sustainable consumption and production as one of the key challenges for Europe. The Community Lisbon Programme for 2008-2010 includes the promotion of an industrial policy geared towards more sustainable consumption and production as one of its major orientations.

The following documents accompany this Action Plan:

- Proposal for the extension of the Ecodesign Directive
- Proposal for the revision of the Ecolabel Regulation
- Proposal for the revision of the EMAS Regulation
- Communication on Green Public Procurement

This will be shortly followed by the

- Proposal for the revision of the Energy Labelling Directive
- Proposal for a Regulation for an Environmental Technology Verification scheme.
• Remaining actions will follow later in 2008/2009: promoting resource efficiency; promoting eco-innovation; developing industrial policy initiatives for environmental industries; sectoral approaches; promoting good practice internationally; promoting international trade in environmentally friendly goods and services.

The Commission will review progress and report on the implementation of the Action Plan in 2012. At this occasion, the Commission will in particular analyze whether further action to improve the energy and environmental performance of products is needed, in particular by extending the Ecodesign and Labelling Directives to cover non energy-related products.