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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
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Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT Accompanying the document Proposal for a Council Regulation establishing the Joint Undertakings under Horizon Europe European Partnership on Circular Bio-based Europe

Delegations will find attached document SWD(2021) 38 final - Part 8/9.

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PART 8/9

COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT
Accompanying the document

**Proposal for a Council Regulation establishing the Joint Undertakings under Horizon
Europe**

European Partnership on Circular Bio-based Europe

{COM(2021) 87 final} - {SEC(2021) 100 final} - {SWD(2021) 37 final}

Executive Summary Sheet (Max 2 pages)
Impact assessment on a European partnership for a circular bio-based Europe (CBE)
A. Need for action
What is the problem and why is it a problem at EU level?
There are both economic and environmental problems, which are addressed in parallel. The main problem is the ‘triple deficit’ on the level of innovation, market uptake and the sustainability. As a result, R&I activities are not sufficiently integrated in the EU, leading to a slower innovation process. In parallel, existing mature bio-based solutions are hindered from reaching markets and their environmental performance is not automatically safeguarded. The main scientific and technological problems CBE addresses are the insufficient R&I and cross-sectoral cooperation and transfer of knowledge on sustainable and circular bio-based solutions.
What should be achieved?
The overall objective is to drive forward the societal transition to a sustainable bio-based economy by increasing R&I on sustainable and competitive solutions to increase circularity, and use of biomass, residues and waste. It also aims to take a regional approach when implementing the UN Sustainable Development Goals (SDGs) and the EU Green Deal in order to accelerate the transition to the ‘Healthy Planet’ concept. The scientific objectives are to improve the R&I capacity on circular bio-based solutions and ensure better knowledge sharing, within and between value chains, and across Europe, and to include R&I on sustainability issues. The economic objectives are to improve the competitiveness of European regions in the sector and to address market failures of the European bio-based industry by keeping innovation and new biorefineries within Europe. The main societal objectives are to contribute to a circular economy that operates sustainably, and to improve the bio-based sector’s circularity, thus improving its environmental footprint.
What is the value added of action at the EU level (subsidiarity)?
The initiative combines expertise and technologies available in EU Member States, regions and value chains, thereby creating additional synergies. CBE projects can be combined with national projects and with projects supported by EU structural and regional funds. Addressing most of the barriers to a bio-based economy is not a national responsibility, but is rather subject to EU-level regulation, with rules for example on: aspects of the sustainable biomass supply; market pull via targets; product standardisation; labelling and green public procurement schemes; and environmental performance. Without EU-level intervention, there would be insufficient action at national level.
B. Solutions
What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?
The following options were considered as a means to support R&I: • traditional calls under the framework programme (baseline option); • a co-programmed European partnership (option 1); and • an institutionalised European partnership under Article 187 TFEU (option 3). Although both partnership options would deliver better results than normal calls, an institutionalised one

(option 3) would be better than a co-programmed one. This option had the highest overall score, due to greater potential economic and social impacts and higher coherence with external programmes.

Option 3 is the preferred arrangement for the following reasons:

- It can effectively achieve the programme's objectives by involving committed industry partners and other actors (e.g. Member States, regions, academia and civil society organisations) who would work together under an appropriate governance model.
- It provides adequate transparency and openness in the selection of priorities and objectives and the involvement of partners and stakeholders from across the entire value chain, from different sectors, backgrounds and disciplines, including international actors (when relevant and not interfering with European competitiveness).
- Its formalised procedures will enable SME participation, as well as the dissemination and use of results.
- It provides high additionality, namely high potential for structuring the bio-based industries.
- It ensures directionality by formalising partners' commitments to meeting specific targets, which will eventually help achieve high-level policy objectives.
- On financing, it features financial and/or in-kind contributions from partners other than the EU of between 50% and 75% of the total European partnership budget. It is expected that most of the financial commitment will be in-kind and - to a lesser extent – take the form of financial contributions within projects rather than at programme level.
- Its coherence and synergies within the EU R&I landscape will be ensured through formal agreements between the proposed initiative and other initiatives, as well as through co-creative agenda-setting and the commitment of the support team.

What are different stakeholders' views? Who supports which option?

The majority (more than 50%) of respondents to the public consultation indicated that many of the partnership's objectives were essential, particularly achieving EU climate goals. Respondents viewed developing consortia, European value chains and technology as advantages, but considered the administrative burden to be a disadvantage. The biggest problem is considered the EU innovation gap in translating research results into innovative circular bio-based products. A majority (more than 50%) consider industry involvement to be very relevant, and the scope and coverage of the partnership to be correct. While most stakeholders (54%) responding to the consultation consider an institutionalised partnership to be the best arrangement to address the problems, a lower support was noted from citizens.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise of main ones)?

All actors in the bio-based economy can potentially benefit **economically**, allowing a balanced regional/local development. Higher and more secure income for primary producers of biomass is expected, also in less-favoured regions. Other benefits are economic growth for SMEs, stronger leverage of investments for biorefineries and their economic operators (industry actors), and the long-term engagement and commitment of all actors. Municipalities and regions are expected to gain by saving on biologic waste disposal costs.

The **societal impact** is expected to be improved access to and take-up of innovative bio-based solutions in Europe, empowerment of local/regional communities to manage their natural resources, and the creation (or improved reconversion) of a new local/regional manufacturing base. Market actors such as brand-

owners and consumers will have access to more sustainable products. Most important are the environmental impacts . Producing and processing biomass more sustainably and using biowaste as raw material will reduce CO ₂ emissions and help avoid conflicts with food production, the over-extraction of biomass, and unsustainable land-use changes. This will help to preserve and restore ecosystems and biodiversity. Closed-loop production and valorising bio-waste will increase circularity. CBE will improve the resource efficiency of value chains, e.g. by recovering nutrients for agriculture and forestry from waste streams (including wastewater) and agricultural residues.
What are the costs of the preferred option (if any, otherwise of main ones)?
As option 3 would build on the existing Bio Based Industries structure it would involve the running costs of a Joint Undertaking office for the duration of the initiative. This would involve €30 million in administrative costs for businesses and the same amount for the EU. This represents 1-2% of the initiative's overall costs. This cost is largely offset by the benefits mentioned above, and in particular the leverage effects of co-financing to reach the scale of resources necessary to address the ambitious goals. No negative economic, social and environmental impacts or compliance costs are expected.
What are the impacts on SMEs and competitiveness?
No negative effects are expected for SMEs and competitiveness. All impacts are expected to be positive. Based on the very positive experience with BBI JU (strong SME involvement in projects, including their coordination), option 3 scores high on this aspect.
Will there be significant impacts on national budgets and administrations?
No impacts on national budgets and administrations or implementation difficulties are expected.
Will there be other significant impacts?
No, as all have been described above.
Proportionality?
The preferred option provides all the elements to achieve the objectives and does not go beyond what is necessary to solve the problem.
D. Follow up
When will the policy be reviewed?
In line with the timescale set out in the Horizon Europe Regulation, the interim evaluation will be carried out no later than 4 years after the initiative's commencement date, and a final evaluation no later than 4 years after its end.