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COVER NOTE

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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2022) 83 final
Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT Accompanying the document Proposal for a Regulation of the European Parliament and of the Council establishing a framework for setting ecodesign requirements for sustainable products and repealing Directive 2009/125/EC

Delegations will find attached document SWD(2022) 83 final.

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COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council

establishing a framework for setting ecodesign requirements for sustainable products and repealing Directive 2009/125/EC

{COM(2022) 142 final} - {SEC(2022) 165 final} - {SWD(2022) 81 final} - {SWD(2022) 82 final}

Executive Summary Sheet

Impact assessment on the Sustainable Products Initiative

A. Need for action

Why? What is the problem being addressed?

The **main problem** is that consumption and production are not sustainable and not adequately addressed by existing EU product and internal market rules, leading to increasingly divergent national rules on the sustainability of products.

Sub-problem 1: *Product design does not sufficiently take into account environmental impacts over the life cycle, including circularity aspects.* As a result, products are being replaced frequently, involving significant energy and resource use in order to produce and distribute new products and dispose of old ones.

Sub-problem 2: It is still *too difficult for economic operators and citizens to make sustainable choices in relation to products* given that relevant information and affordable options to do so are lacking. This leads to missed opportunities for sustainability and for value-retaining operations, limited demand for secondary materials and obstacles to the adoption of circular business models.

Sub-problem 3: *Sub-optimal application of the current Ecodesign legislation*. Although the Ecodesign Directive has generally been successful, its full potential is not systematically realised. Its scope is currently limited to energy-related products while other products also generate significant environmental impacts. Significant delays in the adoption of new product regulations and lack of compliance are other key issues that need to be addressed.

What is this initiative expected to achieve?

The general objective is to reduce the negative life-cycle environmental and social impacts of products and improve the functioning of the internal market. The specific objectives are:

1. To improve products sustainability
2. Better access to sustainability information along the supply chain
3. To incentivise more sustainable products and business models to improve value retention
4. To improve application of the sustainable product legislative framework

What is the value added of action at the EU level?

In order to ensure a harmonised and well-functioning internal market across all Member States, and therefore a level playing field for economic operators operating on the internal market, it is essential to put in place a common set of rules, which include product requirements and the obligation to provide reliable information to end-users. Without an EU-level initiative and its effective application, the problems assessed in this impact assessment will not be fully and consistently addressed across the EU. National initiatives (some of which are already underway), while bringing certain benefits at national level, will inevitably further fragment the internal market and render consumer choices more complicated.

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

A range of sub-options is considered for 6 main options and compared against the baseline (Option 1). The options relate to:

- Extension of the product scope of Ecodesign legislation (Option 2)
- Extension of sustainability requirements for products (Option 3)
- Sustainability information for consumers and business-to-business (Option 4)
- Reward more sustainable products through incentives (Option 5)
- Measures for circular economy and value retention (Option 6)
- Strengthened application of the Ecodesign framework (Option 7)

The **preferred combination** involves action on each option, including expanding the scope of Ecodesign to a wide range of products such as textiles, furniture and high impact intermediate products; significantly strengthening its sustainability requirements; introducing new information requirements for products, including the establishment of a Digital Product Passport. Other actions include incentives by public authorities for sustainable products and measures to prevent the destruction of unsold consumer goods. Various measures to strengthen the application of Ecodesign rules are also foreseen.

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

Most stakeholders advocated for a comprehensive scope for the SPI framework that includes a wide range of products and takes a whole life cycle (LCA) approach. Support for an extension of the scope of Ecodesign is

strong, with general agreement that the sectors identified in the CEAP[1] should be prioritised, and manufacturers/importers in particular expressing a preference for an approach that takes product specificities firmly into account. There is general agreement (including from manufacturers/importers, SMEs, retailers and waste operators) that lack of clear, comprehensive, binding legislation, as well as lack of trustworthy information are all presenting barriers to greater availability of sustainable products, as is uneven enforcement of product sustainability requirements. Digital Product Passports are generally supported by clear majorities across all stakeholder groups. A large majority of all stakeholders (including public authorities) expressed support for mandatory Green Public Procurement and agree that more incentives are required to orient demand towards sustainable products. Stronger enforcement and market surveillance activities (e.g. inspections or audits) are seen as necessary to accompany the implementation of the SPI.

C. Impacts of the preferred option

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

Citizens will benefit from wider availability of more sustainable products and product-related options (such as repair). The worst performing products will gradually be removed from the market resulting in benefits such as improved durability, reliability and reparability of products. Requirements to ensure high-quality recycling of products and to increase their recycled content will contribute to boosting supply of and demand for secondary raw materials. Improved availability of information on the sustainability dimension of products should facilitate consumer choice and complement other EU level initiatives in this area[2]. Measures to orient public purchasing power towards the most sustainable products, ensure value retention and foster circular economy practices will help green the market. Overall, there will be significant greening of the market for products, with economic and social benefits. There will also be material environmental benefits, including a significant reduction of GHG emissions.

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

Due to the framework architecture foreseen for SPI, overall costs of the preferred options are challenging to identify precisely. While there will be certain initial costs associated with establishing the framework and preparing SPI measures, the most significant are likely to be incurred only after these measures are laid down for priority products. Overall, this means costs for economic actors involved in product manufacturing are likely to increase, with some costs passed on to consumers. The experience of the Ecodesign Directive is, however, that increased costs are more than offset by financial savings for consumers over the long term. Under SPI, there is also clear potential for benefits from life extension and improvements in the production process. Furthermore, production cost increases could also be offset by savings along the value chain for other businesses. All SPI measures will be underpinned by impact assessments and consultation processes that examine the costs and benefits to ensure proportionality.

What are the impacts on SMEs and competitiveness?

Businesses including SMEs will face additional costs that will be analysed in the context of future implementing measures, with possibilities for mitigation considered in the accompanying impact assessments. Any compliance costs will be proportionate, and some may be passed on to consumers (which in turn are expected to be offset over time as described above). For businesses operating across EU borders, harmonised requirements at EU level are likely to reduce overall compliance costs, given that they will replace various existing or planned requirements at national level. There will also be direct benefits to the competitiveness of businesses, including from a shift of activity from the processing of primary towards secondary raw materials and from production of products to maintenance, reuse, refurbishment, repair and second-hand sales, which is expected to benefit SMEs significantly because they are more active in these sectors. While SMEs have suggested that certain negative impacts may stem from some of the main measures under the preferred policy options, many also believe that these can be offset and bring added value over time (e.g. due to reduced material expenditure; increased customer loyalty; better access to the market for greener products; reputational benefits etc.)

Will there be significant impacts on national budgets and administrations?

There will be administrative costs for Member States as a result of the preferred options, in particular a need for additional human resources. Overall, these are not expected to be significant compared to the economic, environmental, and social benefits of the options.

[1] https://ec.europa.eu/environment/strategy/circular-economy-action-plan_en

[2] In particular, the Green Claims Initiative and the initiative on Empowering Consumers for the Green Transition.

Will there be other significant impacts?
Requirements would apply in a non-discriminatory manner to European and non-European companies, thus ensuring a level playing field for sustainable products placed on the EU market. The requirements would be consistent with the EU's international trade obligations.
D. Follow up
When will the policy be reviewed?
An evaluation of the SPI, eight years after its entry into force, will build upon product group-specific review studies and examine what is and is not working well.