

UEAPME's first reflections on the upcoming revision of the Sustainable Consumption and Production Action Plan (SCP AP)

As a first remark, UEAPME believes it is not possible to revise the current SCP AP without a comprehensive understanding of the current situation. Thus, it is imperative to assess how the current overall plan with its instruments has been implemented so far. In this context, it must be analysed how the Eco-design Directive and the Energy Labelling Directive work in practice on energy-related products before deciding to further extend the scope of these product-policy instruments. For this reason, UEAPME suggests to wait for more information on the actual application of the implementing measures of these recently-revised directives.

It should be noticed that the processes put forward by recent EU strategies and flagship initiatives aiming to a more sustainable Europe represent a revolution in the way SMEs have to manufacture their products and provide their services. Micro and small businesses in particular find it difficult to adapt to this new regulatory and policy framework and thus to follow the trend towards a sustainable economy. However, as SMEs represent the 99% of European companies, there is no doubt they must join these strategies and flagship initiatives for them to be successful. In order to be able to do so, SMEs need a smooth transition towards these new production and service providing methods. Therefore, UEAPME is ready to work with the Commission to set up a **favourable framework to allow SMEs to take up the challenge of a resource-efficient economy and to reap its potential** as stated in the Review of the Small Business Act for Europe released in February. The revision of the SCP AP represents a good opportunity to make progresses in the setting up of this framework, which could be set up by applying the **"Think Small First"** principle envisaged by the SBA. That's to say, by designing legislation keeping in mind SMEs, instead of making exemptions for them or excluding them. Consequently, the entire upcoming SCP plan with its new instruments must be designed by taking into account SMEs' interests, thus fully respecting the key principles of the SBA: "think small first" principle, "only once"¹, systematic and independent impact assessments for SMEs and proportionality.

In this context, please see below a case from the construction sector describing the lack of coherence emerging from different EU instruments, contrary to the SBA principles.

Example from the Construction sector:

SMEs producing construction products have to comply with several different regulations and policies – which sometimes make the regulatory and legislative environment difficult and burdensome.

For instance, a window must bear the CE-marking according to the Construction Products Directive – soon to be replaced by the nearly adopted Construction Products Regulation. In addition to this, the future development of other initiatives and their technical implementation will bring to further labelling and marking for one window.

Three particular initiatives are of great concern in this sense because they have recently impacted or will soon impact on the labelling of windows: Eco-design / Green public procurement / Energy labelling. These three will lead to the possibility that a same window will have to bear 4 marks or labels and test several times the characteristics of the window or to certify its production process more than once.

This may give rise to different certificates and labels to be obtained for the same product in different ways and with several different interventions by notified bodies and certifications centres which make the fulfilment of these criteria

¹ Public authorities have to ensure that enterprises are not obliged to provide again information that the authorities have received by another means, and this at all levels (European, national, regional, local).

burdensome and very expensive because of testing and third-party approval. This shows a great lack of coherence among these instruments and the procedures for setting the criteria for GPP or the implementing measures of Eco-design are not yet aligned.

A partial solution would be to work towards a method of self-certification, which has somewhat been achieved for the CE marking in the recently discussed Construction Products Regulation, which allows self-certification and the provision of simplified technical documentation for certain small production series and for micro-enterprises.

Last but not least, the Environmental Compliance and Assistance Programme (ECAP) also contributes to the creation of a favourable framework for SMEs. The revised SCP AP must strengthen the role given to this programme by integrating a revised and reinforced ECAP with a higher profile at EU and Member States level. Only by doing this, the potential of ECAP will be fully unlocked. Moreover, the current situation in which ECAP stands alone as the only SME-oriented instrument in the framework of the SCP AP should change with its revision. If the SME-friendly instruments of ECAP were transferred both to the overarching philosophy behind the SCP-AP and to the single pieces of legislation deriving from it, a much higher level of consistency would be achieved and the participation of SMEs to the programme would be enhanced.

As for the idea of inserting “social aspects” into the revised SCP AP, UEAPME warns that this could make the involvement of SMEs in the different instruments of the plan still more difficult. Therefore, caution has to be taken to achieve the right balance when following this way.

Here below some concrete recommendations as well as some comments on the general principles of the Plan:

General SMEs’ needs

The following is a list of some of the main needs of SMEs in their efforts to become more sustainable. As already mentioned above, the revised ECAP could be one of the main instruments to meet them.

- **Information:** Awareness raising campaigns among SMEs on the need to adopt sustainable business practices (resource efficiency, renewable energies, energy efficiency, eco-innovation, etc.) are very important. The EU should promote such campaigns in cooperation with the Member States and business organisations.
- **Support and advice:** There is a need for enhanced support and individual advice at local level. One good way to achieve this would be through the strengthening of existing independent services (such as energy and environmental consulting and auditing) within business intermediary organisations and sectoral organisations and/or by creating these services in those regions where they are not yet in place.
- **Skills:** There is a shortage of skills to cope with the pressing need to operate in a more sustainable way. Workers and entrepreneurs must upgrade their technical skills. As SMEs should introduce structural changes in their businesses, SMEs should gain hands-on experience in “green” management. Thus, training in this field is also necessary. Financial means from the European Social Fund could enhance national efforts in the area of training. Training should be targeted, adapted to the sectors concerned, and disseminated through all channels of communication, in particular through SME organizations. European policy should respect national education systems with regards to sustainable training policy for SMEs.

Financing deserves a specific mention, since easier and affordable access to finance for SMEs is one of the most important conditions to achieve the goals of the EU 2020 Strategy.

SMEs need in general an easier access to:

- **Credit and loan guarantee schemes** as the most fitted instruments for crafts and small enterprises. The current guarantee instruments in the framework of the CIP and Structural Funds (JEREMIE) are not sufficient in volume (CIP) too narrow as regards the coverage (CIP) and too burdensome from an administrative point of view.
- **Equity and quasi-equity financial instruments** for riskier business projects like start-ups and innovative businesses. Mezzanine finance would be a good instrument and would help SMEs to buffer losses in critical times
- **Venture capital and bond markets** for highly innovative and fast growing companies. A successor of the CIP should include initiatives to remove barriers for a European venture capital market.

In particular, for sustainable-related investments, SMEs need:

- A tool similar to the recently-launched “European Progress Microfinance Facility”. Such a tool should be solely addressed to green start-ups or SMEs wishing to make a sustainable investment. In principle, SMEs applying for such funds shall not be confronted with loads of paper work since they are able to apply through a financial intermediary in their country.
- For energy-efficiency investments, the wider deployment of ESCOs at national level is a very valid instrument which helps SMEs to improve their energy efficiency ensuring them the corresponding financing.

It is important to note that the relation between SMEs and financial intermediaries must be improved. Banks lack of specialized staff to evaluate investments projects from SMEs. Therefore the training of bank employees to objectively assess SMEs’ investments projects is necessary.

With regards to EU funds, ensuring an easier use of Structural Funds by SMEs is crucial given the important part of the EU budget such funds represent. In fact, lots of money remains unclaimed, like the 8 billion euro of the ERDF to be invested in energy efficiency for buildings. In this direction, UEAPME welcomes the recently-adopted Communication “Regional Policy contributing to Sustainable Growth in Europe 2020” providing guidelines for Member States to finance sustainable growth projects. UEAPME urges the Commission to assist Member States to implement the guidelines. Regrettably, the Communication eludes the role of SMEs as relevant players in the economy and thus in the green economy. SME organisations at national and regional level should be directly involved in the implementation of the Communications’ measures.

The revised SCP AP and its instruments should have an important role in terms of funds allocated and economic sectors covered in the forthcoming Competitiveness and Innovation Programme (CIP successor).

On the general accessibility of EU funds to SMEs, it is necessary to:

- Reduce the administrative and financial requirements of EU-funded projects for SMEs,
- Make it possible for SMEs to enter in global projects managed by their intermediary organizations,
- Assess the impact of EU programs on SMEs and publicize studies reporting the benefits of EU programs on SMEs.

Policies and the market

The SCP should provide a long-term vision for the society as a whole. Clear policy signals create economic confidence among investors. SMEs and business in general benefit from clear guidelines and framework conditions.

The EU Commission can steer the shift towards a sustainable, resource-efficient economy with policies and regulations. As a complementary tool, market-based instruments can be effective in achieving policy objectives. Particularly interesting tools for SMEs are environmental subsidies and tax incentives, which can help create new markets for environmental goods and services including technologies. In spite of this, the role of the market cannot be underestimated.

Even though SMEs will be confronted with new environmental regulatory requirements such as the eco-design, energy labelling of products, or other forms of product-based legislation, change towards a green economy based on sustainable growth will happen when there is a strong market demand. It is therefore crucial to work on the demand-side by raising consumers' awareness. Educating consumers on sustainable consumption practices will have a direct impact on the uptake of sustainable production. As a result, SMEs (manufacturers, installers, retailers, service-providers, etc.) will see the need to respond to such a growing market demand.

Brussels, 11th March 2011