

**UEAPME's REFLECTIONS ON THE DISCUSSION PAPER
«REVIEW OF SUSTAINABLE CONSUMPTION AND PRODUCTION/
SUSTAINABLE INDUSTRIAL POLICY ACTION PLAN»**

INTRODUCTION

The Discussion Paper describes the Review of the Sustainable Consumption and Production/Sustainable Industrial Policy Action Plan (SCP/SIP AP) as an ambitious collection of policies contributing to the envisaged transformational effect of the Resource Efficiency and Industrial Policy Flagship initiatives. The Paper points out that a stronger link needs to be created between resource efficiency and economic competitiveness by tackling the market and governance failures connected to our present environmental challenges. The SCP/SIP thus promises to deliver improvements in companies' resource efficiency and competitiveness, while addressing their "limited financial capacity of economic agents in the short to medium term to invest in facilities, technological developments and advanced skills to successfully manage the transition". Moreover, in order to tap the business opportunities that such a large scale transition has to offer, "policymakers need to create the optimal conditions for industry to deliver innovative solutions to environmental challenges".

UEAPME shares the view that realising the transition to more efficient consumption and production patterns requires a favourable framework that would in particular **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 key elements of this framework should be:

- **Information:** SMEs should benefit from awareness-raising campaigns specifically addressed to them in cooperation with national SME organisations;
- **Technical assistance:** Technical assistance for free or at a reduced price for SMEs which plan to improve their environmental performance (for instance through the implementation of environmental audits);
- **Access to finance:** Easier and affordable access to finance for SMEs is one of the most important conditions to achieve the goals of the EU 2020 Strategy;
- **Skills:** There is a shortage of skills that businesses can recruit to cope with the pressing need to operate in a more sustainable way. Member States should ensure that the corresponding profiles are soon available on the markets. Moreover, they should encourage SMEs to employ such profiles through incentives at national level.

Unfortunately, the Discussion Paper does not completely address all these key elements.

1. DEVELOPMENT OF LIFE-CYCLE ASSESSMENT METHODOLOGY

UEAPME fully supports:

- The Commission's intentions to further develop the European Life Cycle Data Reference System (ELCD), as a cheaper alternative to performing the LCA analysis from scratch. This system is particularly important considering that SMEs generally are not used to working with LCAs, that they have very limited financial resources to invest in them, particularly in this period of credit crunch, and that they tend to be bureaucratic to manage.

UEAPME recommends:

- In the early stages, companies should be allowed to apply the LCA methodology on a voluntary basis, the impact of which should be closely monitored to avoid any disproportionate effect. This procedure should start from the sectors with an objectively high environmental impact.
- It is vital that the SCP/SIP AC includes measures providing technical assistance and credit availability to SMEs interested in applying the LCA methodology to their business/products. UEAPME hopes that initiatives such as the FP7 funded project 'LCA to go' will perpetuate.
- The Commission should ensure the coexistence and compatibility of the European LCA methodologies with existing LCA methodologies used by different Member States.
- Basing the LCA methodology on existing international standards, such as ISO 14040-44, is a source of concern, given that these LCA methodologies, mainly applicable to large enterprises, tend to be imposed by external consultants to SMEs as well. This results in very high paperwork and financial investments totally disproportionate to the size, the activities and the environmental hazards caused by these companies. In order to ensure that the "Think Small First" principle is respected, other references should be considered and SMEs representatives should be involved in the development of these methodologies from the beginning.

2. INCENTIVISING THE IMPROVEMENT OF ENVIRONMENTAL PERFORMANCE OF COMPANIES

UEAPME supports:

- The recommendation that Member States should review their incentives system, reinforcing the link between environmental performance improvements and the benefits a company might get, such as reputation gains and costs reductions.
- The fact that the environmental footprint reporting should have links with reporting in the framework of CSR.
- The development of a specific approach for SMEs, including incentives to encourage SMEs to participate in the system.

UEAPME recommends:

- While the Paper mentions that introducing a requirement for companies to measure, report and manage their environmental performance should not “disproportionately increase the administrative burden for the companies concerned”, the financial burdens entailed should also be duly considered.
- The Commission should not consider national incentives as one of the main elements of its strategy, given that so far Member States have fallen short of such expectations (e.g. in the case of the EMAS scheme) and due to cuts to national budgets because of the financial crisis. In practice there is a serious risk that companies, which will make substantial organisational and financial efforts to apply these methodologies, will be left on their own, since public authorities will not provide the expected levels of support.
- The improvement of environmental performance of products or corporate performance should be rewarded rather than punished. In that respect, conditionality for Structural and Cohesion funding should not become an elimination condition, but allow companies which have made particular efforts in this direction to gain additional/bonus points.
- Encouraging investors to use corporate environmental footprint in their decisions is problematic for SMEs, which already have difficulties finding the financing they need on the market. A more promising approach to financing is to seriously and urgently discuss in all the existing and future forums (such as the Round Table for Banks and SMEs and the Resource Efficiency Finance Round Table) how to mobilise credit through traditional or innovative sources for SMEs willing to improve their resource efficiency.

3. ENSURING BETTER PRODUCTS ON THE EU MARKET

UEAPME recommends:

- The concept of “extended producers’ responsibility” and its consequences should be clearly defined and explained in order for UEAPME to express its judgement on them. In any case, this concept must reflect the appropriate burden sharing between the different actors responsible for a product throughout its life-time. The question that arises in this case is whether producers should be responsible for the ways in which their products are sold and used. The situation where producers become scapegoats for other actors’ unsustainable practices should be absolutely avoided, in order to ensure the link between economic competitiveness and sustainability mentioned in the paper. Therefore, any action in this field should be submitted to a serious ex ante and ex post SME test.
- Standards could be burdensome for SMEs, for which one-size-fits-all measures might not be appropriate. Therefore, the option of self-certification should be available to SMEs. Moreover, non-serial products typical of craft companies should be excluded from complying with specific standards.

4.1 PROVIDING BETTER INFORMATION TO PURCHASERS

UEAPME recommends:

- Integrating the product environment footprint methodology into different policy instruments should include simplified procedures for certification, such as self-certification, for SMEs that cannot afford employing independent consultants in order to ensure compliance with the legislation.

4.2 MAKING ‘GREEN’ PRODUCTS AVAILABLE FOR CONSUMERS

UEAPME recommends:

- Imposing quotas of products with a high environmental performance on retailers is rather prescriptive. Not only does this approach interfere with the preconditions of a free market, but it does not consider that the choice of goods offered to consumers and the ways in which they are marketed do not only depend on the retailer (e.g. the visibility of products on the shelf depends on the particularities of the contracts between producers and retailers).

4.3 GREEN PUBLIC AND PRIVATE PROCUREMENT

UEAPME recommends:

- Most SMEs already encounter considerable difficulties in accessing public procurement. Imposing green public procurement targets can represent a further barrier discouraging lots of SMEs from responding to tenders. Therefore, widening the dissemination of environmentally friendly products or services in public contracts must be achieved without hampering the access of SMEs to the public procurement market. Furthermore, it is necessary to empower SMEs to provide products and services with high environmental performance at competitive prices. In order to achieve this, a favourable framework aimed at providing SMEs is needed, with the necessary technical assistance, targeted information as well as easier access to finance.
- The Commission needs to clarify the criteria for determining the priority groups of products to conform to GPP targets. Ex-ante and ex-post assessments are needed to evaluate whether introducing environmental criteria in public procurement do not impose unnecessary burdens in relation to the benefits.
- Green procurement requirements should not unnecessarily increase burdens on companies from an administrative point of view.
- While green procurement conditionality in projects financed through Structural and Cohesion Funds represents a good incentive to encourage SMEs to purchase environmentally friendly products, the Commission has to make sure that otherwise good projects do not get rejected just because of environmental considerations.

5.2 HELPING SMEs BECOME MORE SUSTAINABLE

UEAPME supports most of the measures proposed in this chapter and in particular:

- The initiative to promote eco-design in European SMEs;
- Expanding advisory services in sustainability to evaluate the challenges that SMEs face;
- Encouraging local initiatives promoting resource efficiency;
- Assessing the potential for industry symbioses through Member States or industry initiatives;
- Evaluating the potential to establish partnership agreements to facilitate technology transfers to SMEs.

UEAPME recommends:

- However, the measures proposed do not always represent a solution to the main obstacles that SMEs face, i.e. limited information, expertise, time, and resources.
- The Paper mentions strengthening the role of Enterprise Europe Network (EEN) in providing information and specialised technical assistance in the environmental field. Once again UEAPME highlights the fact that the national networks of SME associations have been providing services to help SMEs to become more sustainable for years. Therefore, rather than strengthening a fairly new network such as the EEN, much better results could be achieved if these existing networks could be offered equal chances to apply for Community funding (for instance in the framework of ECAP). This would help them improve and expand their work and would ensure that the existing expertise is valued, rewarded and enhanced.
- In addition to offering SMEs the opportunity to gain access to environmental auditing services at reduced rates or free of charge, technical assistance at very low costs and easily accessible credit schemes should be made available to enable them to implement the advice and measures indicated by the audits. In the absence of these additional services, the recommendations of the audits will not be implemented, the entire effort resulting only in paperwork.

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