



UNION EUROPEENNE DE L'ARTISANAT ET DES PETITES ET MOYENNES ENTREPRISES  
 EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE  
 EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES  
 UNIONE EUROPEA DELL' ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

## UEAPME Position Paper on the Sustainable Consumption and Production Action Plan - SCP- (COM (2008) 397/3)

On 16 July 2008, the European Commission has proposed a Sustainability Package. UEAPME has already commented about it in the course of the elaboration and consultation process.

The Package comprises the following initiatives:

1. Action Plan Sustainable Consumption and Sustainable Industrial Policy
2. Proposal for an amendment of the Eco-design Directive 2005/32/EC
3. Proposal for a revised Eco Label Regulation 1980/2000
4. Proposal for a revised EMAS Regulation 761/2001
5. Communication on Green Public procurement

Please find below our comments on the most relevant parts of the package for SMEs.

### **1. Communication on the Action Plan SCP**

Crafts and SMEs in Europe understand and share the main ideas of SCP, but ask all institutions at European and national level to take into account more carefully the needs of SMEs and the challenges SMEs will have to face when the existing policies will be strengthened and new instruments will be adopted to achieve the objectives of SCP, such as the recast of the Eco-design Directive.

As for the special needs of SMEs, it is important to stress that currently most SMEs do not have any environmental policy in place and do not work with instruments such as Life Cycle Analysis/Approach. Moreover eco-design policies imply taking into account: the little means of SMEs in financial, human resources and technical terms; the need of trainings, the special production cycle, the special cycle of investment, the fact that SMEs are sometime sub-contractors.

Therefore, UEAPME presents the following considerations in order to help SMEs to adapt smoothly to these new patterns:

- The implementation of concept such as eco-efficiency, eco-design, dynamic performance requirements and energy efficiency in a classic micro and small business corresponds to a revolution in its production process. It should be well prepared in advanced and introduced with care avoiding "overnight" implementation.
- The EU should set up a framework to **inform** SMEs, **prepare** them and **support** them in the transition to the new scheme
- This could be done, for instance, in the framework of a "**reinforced**" **ECAP**, which should be based on the instruments already existing at the level of SME organisations

aiming at improving them. In this framework, a specific, single budget line for all the actions under ECAP would be easier to understand and to apply for in order to carry out the aims of the programme. Moreover, the problems faced by SMEs under the chapter 5.4. (Building local environmental expertise for SMEs) of ECAP are well highlighted, but the measures proposed will not ensure any long lasting solution. The main tasks in this area should not only be given to the new EU network in support of business and innovation, but should build also on the projects and the services already provided by SME organisations at local and regional level. In fact the latter ones often do not receive the relevant information and therefore should be involved in the ECAP networks.

- UEAPME understands that the focus of SCP will be on housing, food and drink and mobility. SMEs<sup>1</sup> are particular active in all these three areas and it is therefore important to stress that they would be directly affected by any new or strengthened measures.
- Specific exemptions, thresholds and simplified implementation schemes should be set up for SMEs subject to the new standards in order to cut bureaucracy and costs (for instance compliance should be ensured through self-certification with no use of third party certification).
- Incentives (such as reduced interest rates for investment in green technology, tax reduction, etc.) for SMEs –in particular small and micro business- should be foreseen.

As a whole, we believe it is necessary to avoid the situation where SMEs would be excluded from the market scene due to excessive administrative and economic burden distorting competition in the EU market.

### **SBA/ECAP/SCP: need for more coherence among those initiatives**

- In the Small Business Act (SBA) under the chapter: “*Helping SMEs turn the environmental challenge into opportunities*”, the currently proposed actions are related to state aid and in general environment-related subsidy. UEAPME considers it positive, but not sufficient.
- Reference is also made to a simplified EMAS (Eco-Audit and Management Scheme) for SMEs and the new Business Support Network in order to provide advice on eco-efficient operations.
- Although both EMAS and the new Business Support Programme are part of the actions mentioned in ECAP, no mention is made of the new ECAP<sup>2</sup> “Environmental Compliance Assistance Programme”.
- **The SBA should mention ECAP and refer to it as the tool to translate into practice the principle “turn environmental challenges into opportunities”.**
- The “Sustainable production and Consumption and Sustainable industrial policy Action plan” (SCP & SIP) is already making a clear link to ECAP as the tool to provide the assistance to SMEs, including the improvement of their environmental performance. This makes sense and should be repeated also in the SBA.
- This means of course that ECAP should obtain the appropriate **political recognition** at the highest level in order to assure a **real implementation and follow-up to this programme**.

### **Conclusions:**

- The EU should use ECAP to inform SMEs, prepare them and support them in the transition to the new scheme

<sup>1</sup> For instance only in France more than 40% of craftsmen is active in the housing sector.

<sup>2</sup> COM (2007) 379 final, Brussels, 8.10.2007

- The SBA in line with SCP should mention ECAP and refer to it as the tool to translate into practice the principle “turn environmental challenges into opportunities”.
- ECAP should obtain the appropriate political recognition at the highest level in order to assure a real implementation and follow-up to this programme.

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## 2. Proposal for an amendment of the Eco-design Directive 2005/32/EC

- Changing the scope of the Directive and extending it to all “**energy-related**” products would heavily impact many European SMEs whose products will be actually submitted to Ecodesign implementing measures and to harmonised standards.
- The definition of “energy-related” products included in the Ecodesign proposal is not clear enough. It is actually impossible to predict exactly which products will fall in the scope of this framework Directive.
- In order to guarantee a real participation of SMEs in the consultation process for the definition of implementing measures it is necessary for SMEs to be informed well in advance and to have sufficient information on the products to be considered.
- SMEs often run single production or very small productions runs. The economic impact the Eco design provisions would have on microenterprises, which cannot amortize the costs of putting in place such a new product design due to the absence of economies of scale, would be too high and can only be affordable when large series are manufactured. Thus we understand that most of the provisions of the Eco design proposal, such as the definitions of “Eco design” and “Product Design” can only apply to serial products.
- Some important parameters such as the sector, the structure of companies and the serial character of the production should be taken into account when conformity procedures are carried out.
- Furthermore, we notice that the definition of Eco design as the “integration of environmental aspects into product design with the aim of improving the environmental performance of the product throughout its whole life cycle” is an additional step to be undertaken by **industrial enterprises**. It should be considered in fact that only in the case of an industrial design processes the environmental impact factor can be successfully integrated in the technical specifications of the product concerned.
- When it comes to the actual choice of new product groups for implementing measures it will be decisive to coordinate provisions with existing and new rules such as directive 89/106/EEC on construction products (and the draft Construction Products Regulation which is now discussed in the Parliament), respectively with their technical specifications and standards as well as the REACH Regulation and the Environmental Performance of Buildings Directive.
- The EU Commission should set up a consultation scheme in the preparation of the new standards, which really puts SME organisations in the condition to react and give their contributions.
- An example of “formal” or “**false**” **consultation** of SME organisations is clearly happening at the moment in the framework of the Energy Using Products Directive (EuP). In this case, very technical, long documents in English are sent by the Commission to the members of the Consultation Forum with very short deadlines to reply. The level of technical skills to react to these documents is such that only the manufacturers of the products concerned by the consultation or independent external technicians with expertise in the field could respond. It is clear that, because of time constraints and language problems, it is impossible for small manufacturers to react

directly. On the other side, it is very difficult to find the above-mentioned technical expertise inside SME organisations. The only solution is, therefore, for SME organisations to pay for external technicians for this job. This is clearly not possible on a continuous basis and there is a high risk that often no response is given to the consultation documents.

- Considering the serious repercussions that the extended EuP directive will have on companies and their level of employment (since **it will be no longer possible for manufacturers to put their products on the market if they do not correspond to the requirements set by the Directive**), an effective consultation of the impact of the proposed measures on micro and small businesses is of paramount importance. Therefore, the Commission should follow the example set by Directorate General Environment in the framework of the Eco-Label, by establishing procedure to finance SMEs' technical involvement in the EuP/Eco-design scheme.
- Moreover we believe that, before starting any consultations on implementing measures a **thoughtful impact assessment** on the economic consequences on SMEs should be conducted by the Commission as regards each product and sector concerned. This impact assessment should include a cost/benefits analysis to evaluate the financial sustainability and consequences on competitiveness for the companies involved, especially according to their size and financial firmness.
- Data-bases for Life cycle analysis should be set up, from the very beginning, in collaboration with SMEs and the choice of the reference values should be weighted in order for it to be suitable also for small producers.
- The framework conditions should also be made suitable for companies, particularly SMEs, whose products will fall under the definition of energy-related products. This means that long implementation measures as well as financial and technical support should be made available. Moreover, it is important that exemptions are foreseen for those products with
  - ▶ Reduced impact on the environment, energy consumption or climate change in general
  - ▶ Limited margin of manoeuvre to improve their environmental impact
  - ▶ Not destined to the internal market, but to local or regional consumption
- We consider expanding the scheme to a wider range of consumer goods, like footwear and furniture, as **premature**.

### Conclusions:

1. The cost of conformity assessment is very high and can only be affordable when large series are manufactured. Thus we understand that most of the provisions of the Eco design proposal, such as the definitions of "Eco design" and "Product Design" can only apply to serial products.
2. The EU Commission should set up a consultation scheme in the preparation of the new standards, which really puts SME organisations in the condition to react and give their contributions, by establishing procedure to finance SMEs' technical involvement in the EuP/Eco-design scheme.

### Energy Labelling

Another key element of the Sustainability Package is the revision of the Energy Labelling Directive 92/75/EEC. The revision of the Energy Labelling Directive is closely linked to the

Ecodesign Directive: benchmarks and requirements identified in the implementing measures will define the performance levels corresponding to the energy labelling categories.

- UEAPME is not totally convinced that this Directive should be applied automatically to all product groups covered by the Eco Design Directive.
- In fact UEAPME understands that the Commission is proposing that government buyers be forced to purchase equipment above certain efficiency thresholds indicated by the energy label (green public procurement –GPP- standards).
- We suggest instead that governments should only support the "gradual introduction of reasonable objectives" in this area.

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### **3. Proposal for a revised Eco Label Regulation 1980/2000**

UEAPME welcomes the revision of the Eco-label scheme since it is important to adapt the scheme to the current environmental and market needs and encourage the uptake of the Eco-label , in particular by SMEs.

UEAPME is in favour of a voluntary Eco-label scheme.

Although the decision-making process under the Eco-label Regulation will remain distinct from that of the Eco-design and the Labelling Directive, the implementation of these schemes will be closely linked 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 Eco-label 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.

The Proposal extends the scope to food products but it only refers to processed food and the products of fishing and aquaculture. (*Article 7.3: Where criteria are developed for processed food other than the products of aquaculture, those criteria shall relate only to processing, transport or packaging*).

The link with Regulation (EC) No 834/2007 on Organic Food has to be clarified because the current wording can cause confusion to both producers and consumers.

#### **SMEs' DEMANDS**

UEAPME is in overall satisfied with the flexibility introduced in the Proposal. It however regrets the lack of commitment towards SMEs with its very few mentions to businesses in general and in particular to SMEs or SME networks.

The issues of greatest concern for SMEs are the following:

- **Ownership of the scheme by stakeholders –SME representatives**

With regards to the overarching structure of the Eco-label, it is worth noting that it has been maintained with no major modifications, in particular as for the members of the European Union Eco-labelling Board (EUEB). The current structure has proven long, bureaucratic and costly for small businesses in the two previous versions of Eco-label.

The idea to allocate voting and decision-making powers to stakeholders has not been contemplated in the Regulation. As a consequence, stakeholders' participation, commitment and ownership of the scheme remain the same as they have been up until now.

As for the development and revision of the Eco-label criteria, the Proposal does not mention the importance that SMEs have for the scheme. It is important to adapt the Eco-label system to **SMEs** because up until now **they are its main clients/users**.

- **Facilitate the uptake by SMEs of both products and services**

Article 2 of the Proposal defines the scope of the Regulation saying that it "shall apply to any goods or services which are supplied for distribution, consumption or use on the Community market..." Neither on this article nor in the subsequent articles there is a specific mention to the development of Eco-label criteria for product groups (both goods and services) manufactured by SMEs. The overall regulation focuses in promoting the use of ecolabel criteria by public purchasers.

Furthermore, UEAPME welcomes the inclusion of "services" in articles 2 (scope) and 3 (definitions).

- **Quicker and simpler criteria development**

An effective criteria development process is crucial for the Eco-label. UEAPME believes that alternative ways of developing Eco-label criteria are needed to speed up the traditional procedure, to have criteria for more product groups and to quicker adapt the existing criteria to the needs of the market.

In the first place, the reduction **of both the number of criteria and the number of tests**, which SMEs have to go through, would be desirable. Sometimes criteria that are not indispensable for granting the Eco-label are included. In order to avoid this, it would be good to introduce a short explanation for every criterion that would prove its necessity.

The criteria must be supported by scientific evidence, using methods accepted widely across the scientific and technical community.

UEAPME welcomes the withdrawal of the existing mandate of the Commission to the EUEB. The removal of the mandate will enable the EUEB to launch the development or revision of criteria without having to obtain the "approval" from the Commission. Under the Proposal, Member States, competent bodies and other stakeholders may initiate the development or revision of criteria.

The introduction of a template for criteria documents proves also useful since it will ensure more user-friendly criteria.

Another necessary reform would be to reduce the time of inter-service consultations. Inter-service consultations can block criteria that have been approved at the EUEB and as a consequence, the whole procedure becomes very long.

#### Different modalities of criteria

It would be interesting to allow **the re-use of tests already carried out for the same products or introduce the use of self-declaration** (as the New Approach foresees). By introducing the self-declaration, the enterprises themselves would guarantee that the product complies with the criteria. This would avoid SMEs to have to go through many lengthy and costly tests all over again. An external ex-post control could be established in this case.

UEAPME strongly believes that a reduction of the number of tests would ease the overall procedure.

- **New measures of promotion of the scheme**

Although boosting marketing of the Eco-label should be one of the priorities of this revision, Article 12 does not propose any new measures on how to improve the promotion of the scheme. It only mentions awareness-raising and information campaigns, which have already taken place up until now. In this context, new measures of promotion are desirable in order to increase the general uptake of the Eco-label and in particular the uptake among SMEs. Marketing must become much more effective in particular at national level.

SMEs with the Flower should be able to use the logo as much as possible as a real marketing instrument.

- **More emphasis on the costs for SMEs**

Article 9.3 sets up a fee for processing the registration of up to 200 Euro and abolishes the current annual fees being applied by competent bodies to Eco-label users and therefore to SMEs. UEAPME welcomes the abolition of annual fees, which reduces the administrative burden for companies.

However, UEAPME deems more important the overall cost reduction of the scheme for SMEs. The Proposal does not make any reference to the costs of compliance tests, which are normally very high, particularly for micro and small business. In order to overcome this problem, UEAPME strongly believes that a reduction of the number of tests would ease the overall procedure.

The costs (compliance, consultancy costs) represent in most cases a barrier for SMEs and might deter their application for the EU Eco-label.

In order to overcome this problem, one possibility could be to draw up guidelines or recommendations on how to help businesses in this matter. These guidelines could be based on best practices in the different Member States. Another possibility would be that companies falling under the EU SME definition benefit from tax reductions on their compliance, technology and consultancy costs. Moreover, specific provisions to facilitate the adoption of the EU Eco-label should be foreseen for SMEs in the framework of EU initiatives/programmes, such as the structural funds and the new Life +.

- **Easier Harmonisation**

The harmonisation of the EU Eco-label with the national eco-label should become reality after the revision. UEAPME suggests introducing a provision in the revised text of the EU Flower in order to allow companies with one eco-label to easily obtain the acceptance in the other scheme. In fact the actual wording “as strict as” is rather vague since it is difficult to judge strictness and thereby understand when harmonisation is possible or not.

- **Other comments**

UEAPME is against the extension of the scope of the Eco-label to social aspects. Although, we support the social principles, in practice it would not be feasible to translate them into the Eco-label scheme without extra burdens for SMEs. It would result in high costs to test the products and their life-cycle as well as very time-consuming and expensive for a small enterprise with few resources.

- **Conclusions**

A wide participation of SMEs would greatly contribute to the growth and the dissemination of the scheme. Therefore UEAPME asks for:

3. An overall reduction of the costs, in particular the costs of the technical tests required in order to show the respect of the criteria, and
4. An enhanced added value of the Ecolabel scheme as a market instrument.

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#### **4. Proposal for a revised EMAS Regulation 761/2001**

UEAPME welcomes the European Commission's intention to revise the existing regulation and facilitate participation in EMAS, by reducing inter alia administrative burdens, in order to raise the systems' attractiveness for SMEs.

Since this intention has not been transposed in all provisions of the Commission's proposals, UEAPME makes the following remarks to ensure that the revised regulation keeps its SME-friendly character.

##### **I. Specific articles in favour of small businesses that should be maintained**

Art. 7, which provides for derogations for SMEs, aimed at reducing their administrative burden. Intervals of some actions aimed at maintaining the EMAS registration can be extended upon company request.

This extension is submitted to certain conditions, which do not always seem to be practicable in their current formulation. Instead, it would be much simpler to prescribe that competent bodies automatically apply this derogation to small organisations whenever they possess the necessary information.

Art. 25, which obliges environmental verifiers to:

- Carry out verification and validation activities taking into account the specific characteristics of small organisations
- Conduct the verification and the validation in a way that does not impose unnecessary burdens on small organisations
- Take into account objective evidence that a system set up by a small organisation is effective without relying exclusively on written documentation and without applying the same standard method as with big organisations.

**This article summarizes the content of the current guidance for the verification small organisations with EMAS, which was written by UEAPME in co-operation with the European Commission.** It aims at reducing red tape and costs for small organisations during the verification phase, by recognizing that this verification has to be adapted to small organisations' structure and working methods.

It is, therefore, essential to maintain, reinforce and clarify this article in particular vis-à-vis potentially wrong implementation by verifiers during the verification and validation procedures in micro and small enterprises.



Art. 37, which maintains the obligation for Member States to ensure the participation of small organisations to the scheme through a series of support measures (such as information, funds, reasonable registration fees and technical assistance).

## **II. Articles in favour of all EMAS-registered organisations, but particularly useful for SMEs, that should be maintained**

Art. 33, which obliges Member States to set up a system providing information and assistance to organisations in the process of registering to EMAS, upon request, on the legal requirements relating to environmental policy in order to ensure legal compliance.

Art. 38, which obliges Member States to:

- Make sure that local authorities provide assistance to clusters of organisations to meet the requirements for registration
- Encourage a step-by-step approach which may lead eventually to EMAS registration.

This article specifically underlines how these systems and programmes will have to avoid unnecessary costs, in particular for small organisations. This article could be further clarified including the principles of the “step-by step implementation of environmental management system” in accordance with the future developments of the standard ISO 14005.

Only the Chambers of commerce are mentioned as relevant entity to provide assistance to clusters of organisations to meet the requirements for registration. This task should also be given to **SME organisations** at local and regional level.

Art. 39, which obliges Member States to adopt measures facilitating organisations to become or remain EMAS-registered, such as regulatory relief and better regulation.

Art. 40, which adapts the fee structure to the size of the organisations and the work to be done.

## **III. Doubtful aspects/articles to abolish**

The overarching structure of EMAS has been maintained with no major modifications. This structure has been proven long, bureaucratic and costly for small businesses in the two previous versions of EMAS. It is therefore legitimate to wonder whether the European Commission’s intention to attract more businesses and particularly SMEs into the scheme can really be achieved under these conditions.

The Introduction of the environmental performance as well as the environmental performance report (see, for instance, art. 6.2). This environmental performance will be measured through core performance indicators defined for the following environmental areas: energy efficiency, material and resource efficiency, waste, emissions and biodiversity/land use. **This new obligation will add another layer of bureaucracy and will result in a time consuming exercise for small organisations participating in the scheme.** This extended environmental report would have discouraging effects on EMAS participants.

Art. 18, which maintains the obligation to have any updated information in the environmental statement and in the environmental performance report validated by environmental verifiers at intervals not exceeding 12 months. **The annual validation of the environmental statement has been considered one of the major causes of costs and bureaucracy of the EMAS scheme, in particular for small organisations.**

## **V. Conclusions**

It is important to make EMAS more attractive for businesses in general and, more specifically for SMEs, if this EU voluntary instrument wants to survive on the market. In order to achieve this aim, red tape and costs linked to the implementation of EMAS should be kept to a minimum. Moreover, the implementation of EMAS should not be carried out in “one size fits all” way, but should be adapted to the structure and the working methods of micro and small businesses, which are generally not as formal and documented as in big companies. Therefore,

- The derogations foreseen by article 7 should be automatically applied by national competent bodies to small organisations
- Art. 25 on the verification of small organisations should be kept and reinforced.
- The concept of environmental performance and environmental performance report (see for instance article 6.2.) should be rejected.

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## **5. Communication on Green Public procurement**

In the Communication on public procurement for a better environment the Commission proposes a political target of 50% Green public procurement (GPP) to be reached by the Member States by the year 2010. The target is linked to a process for setting common - voluntary- Green public procurement criteria, recommended for inclusion in tender documents for a series of priority product and service groups.

A first set of criteria has been developed for 10 product and service groups, The criteria have been based on existing European and national ecolabel criteria where appropriate, as well as on information collected from stakeholders of industry and civil society. The Commission has started to develop a second set of GPP criteria for another 10 product groups such as windows, heaters/boilers, climate control systems/airco, hard floor coverings and thermal insulation.

UEAPME would like a non-binding criteria catalogue to be further elaborated, but the EU Commission should set up a consultation scheme in the preparation of the new criteria, which really puts SME organisations in the condition to react and give their contributions (i.e. avoid technical, long documents in English with very short deadlines to reply). The level of technical skills to react to these documents is such that only the manufacturers of the products concerned by the consultation or independent external technicians with expertise in the field could respond. It is clear that, because of time constraints and language problems, it is impossible for small manufacturers to react directly. On the other side, it is very difficult to find the above-mentioned technical expertise inside SME organisations. The only solution is, therefore, for SME organisations to pay for external technicians for this job. This is clearly not possible on a continuous basis and there is a high risk that often no response is given to the consultation documents.

UEAPME is the opinion that no rigorous, product specific targets should be set, since they could lead to a narrowing of the market as well as distortion of competition. By no means may GPP lead to discrimination against small and medium-sized enterprises. SMEs often cannot afford complex and costly external and internal audit systems or certification measures. Moreover UEAPME further argues against fixed limits such as the 50% limit for

green procurement, since such limits are often inappropriate and hard to implement in practise.

Moreover UEAPME is of the opinion that, when local governments set up criteria for green public procurements, they should take existing initiatives on reaching a more sustainable economy as the starting point. This is particularly true for experiences already developed in the different sectors. Criteria which are not based on existing initiatives should be avoided, since they can be unrealistic and difficult to implement by companies, particularly SMEs.

#### **Conclusions:**

- By no means may GPP lead to discrimination against small and medium-sized enterprises. In fact SMEs often cannot afford complex and costly external and internal audit systems or certification measures.
- UEAPME further argues against fixed limits such as the 50% limit for green procurement, since such limits are often inappropriate and hard to implement in practise.
- Criteria should be based on existing initiatives

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