*Europe is leading the world in forming impactful strategies, regulations and programs transforming the design, recovery, recycled content and economics of plastics and priority sectors. This will influence all countries including Australia and raises questions on how Australian businesses and governments act now.*

##### *Dr Mattia Pellegrini, Head of Unit, Circular Economy from Waste to Resources, European Commission discusses with Helen Millicer, GAICD, Churchill Fellow, the status of EU Targets, Strategies, bans, levies, success, failures and new measures that will impact Australian industry sectors, consumers and exports.*

**Mattia Pellegrini:**

Good morning, everybody. It is a real pleasure to be here with you and to present to the other side of the world, compared to the European Union.

What is the Circle Economy Action Plan, which is an ambitious plan for circular economy, which was adopted by the European Commission in March 2020. Just for the record it was the last physical meeting of the Commission, where this act was adopted before the closure for the pandemic and for the Covid first wave, so indeed we're talking about two years ago. Many things have happened in the meanwhile.

**An Advanced Phase of Implementation**

* The first thing is that we now have a new regulatory framework for batteries. It is not yet adopted, it should be adopted by the end of December, but the proposal of the Commission was already made more than two years ago.
* We also have a Global Alliance for Circular Economy and Self-sufficiency.
* We have also adopted the new rules on persistent organic pollutants.
* We have made the proposal for the waste shipment regulation, so now to trade the waste of better secondary materials between European counties, but also between the EU and the rest of the world.
* We are also leading the so-called Plastic Treaty, which is under negotiation as part of the UN we are now preparing.
* There was a big Circular Economy package, which was adopted in March 2020 with a new law on a sustainable product regulation, and also
* The new Industrial Emission Directive.

Now in November, it's very timely your event, because if everything goes well on the 30th of November, we will have the second Package on Circular Economy, where the flagship initiative will be the new legislation on packaging, which clearly would be of interest to all the rest of the world.

**Circular Economy Package March 2022**

I mentioned that there was already a Circular Economy package which was adopted in March 2022. And that circular economy package, the most important part of it was **the Regulation for Eco-design of Sustainable Products**.

* So essentially what we have done, we have taken the old eco design directive, which was a piece of legislation in the EU, which was only related to energy performance. So this is the way, when you buy a fridge in the EU, you have all these performance classes based on energy efficiency, and **we have transformed it into an instrument which will measure the** **full circularity of a product**.
Then we will start to adopt a work program, and we will start to legislate in what we call priority streams. Those will be these products what indeed would be particularly important to have credit and this will be the condition then for placing these products into the market. While we have done all of that (because we have seen that we have a lot of legislation already in the EU about the end of life of the product), but **we didn't have any legislation about the design of the product.** And studies which we recently carried out shows that more than 80% of the problems, which we find at the end of the life of the product are related to the way it’s designed when it's placed on the market. So with this regulation we try to solve all the problems related to the design of the product.
* We also have adopted a sustainable and circular strategy for textiles. Soon we are proposing the context of the waste directive, in particular one action, which will be to establish a **mandatory extended producer responsibility for textiles in EU.**
* And we also have done a **revision of the Construction Products Regulation to make it more circular**, because indeed the construction and demolition is one of the largest waste streams.
* We also gave the **right of empowerment to the consumer, in particular the so-called right of repair, s**o to make sure that consumer have really clear rights to go first for the repair of the products and only then is really not possible. When I say right of repair, of course, is right of repair conditions, which unfortunately they're not always available in the market.

**Making sustainable products the norm in the EU**

Indeed, I mention already the sustainable products while we did it because we saw that 80% of the products are not sustainable in the design phase. So this is the reason why the new eco design regulation (ESPR) will also look into circularity elements and sustainability elements.

As I mentioned, we'll issue soon this work program which will focus no longer only on energy efficiency, but on circularity as well of the products. We will look at issues such as durability, reliability, reusability of the product, but also recycling and resource deficiency of the product.

**Building on the Ecodesign framework**

The key feature as I mentioned, is that we will adopt a work plan, and then based on the work plan, you will have specific work done per product categories, priority product categories. There will be, of course, an impact assessment carried out to look at what will be the impact, and then you will adopt the specific eco design measures.

**New features**

Indeed, so I mentioned also that quite extensively what are the key new feature of the old eco design legislation is that now it's no longer about energy related products but is much broader in terms of requirements. Also it is very important that we have introduced for all these products, which will be regulated under the sustainable product regulation, the obligation to have a digital product passport. By the way, this is not the first time because in the batteries regulation, which I've mentioned to you, there was already an obligation to have a digital product passport.

**EU Strategy for Sustainable and Circular Textiles – Need for action**

Then indeed the circular strategy for textiles. I mentioned also that this is another big, new initiative that we have launched. And we have done it again, because data shows that only 1% unfortunately of the material used for producing clothing is recycled into clothing. This is what we call fiber to fiber recycling. So what happens often is that it's down cycled in another application. That's the reason why we decided that this is a very important stream to focus on. One of the things we will launch there, as I mentioned, is **a mandatory EPR scheme**, possibly next year with the revision of the waste program directive to ensure that there is a **sufficient collection in the EU because we saw that one of the issues indeed, the fragmentation, lack of collection.**

**Key actions for textiles**

* **I**ndeed as I mention the standard procedure of responsibility is one of the key actions for textiles.
* Another one is the part that we will also create a digital product passport for textiles using the Sustainable Product Regulation.
* Also we will put forward a Ban on unintentional release of microplastics. So, as you know, many synthetic textiles are full (in order to make them repellent to water) they're full of microplastics, which then can pollute the environment. So this is also another part, a very important component of textiles.
* And finally, we'll put forward a stop or a ban to the destruction of unsold returned textiles. So that is what we foresee for textiles.

**Proposal for a Directive on empowering consumers for the green transition**

The so-called **Empowerment Consumer Directive.** This will aim that the consumer are correctly informed in also environmental conditions of the products they buy. So actually also here, a bit like in eco design, we're changing the old eco legislation into the sustainable product regulation.

Here they are both an old directive on commercial practices, which has been changed into a consumer rights directive, which also allows to ban old greenwashing and practices which are misleading for consumers. This will not only allow the consumer the right to know and the right to repair, but also will allow the consumer to make sure that consumer is not misled in the information they receive.

**Revised Construction Products Regulation**

The construction for the regulation is a very important stream. It's actually the stream where we can achieve a lot in terms of CO2 emissions, looking at the overall EU target for CO2 reduction. Indeed here we're putting forward in this new piece of legislation (which is a revision of an existing piece of legislation) a lot of requirements in terms of durability, repairability, recyclability and easy to remanufacture.

**Circular Economy Package November 2022**

Now what is coming indeed is the new Circular Economy package, which will be November 2022. The flagship initially will be the Revision of the packaging waste directive, but there will also be Legislative proposal on Green Claims, so when green claims are made or cannot be made, and also a new policy framework for bio based biodegradable and compostable package plastics. So that will be adopted if everything goes well on the 30th of November.

**Green Claims Initiative**

Let me start with the Green Claims Initiative. This initiative will contain a methodology to make sure that it has to be applied throughout the EU, to make sure based on the **environmental footprint that when labels are put on a product, environmental labels** I'm talking about, there is no misleading information provided to the consumer.

**Policy framework on bi- based, biodegradable and compostable plastics**

Then the second initiative will be this policy framework in the form of a communication, to facilitate and accelerate the transition towards bioplastics. And indeed, we will first of all clarify the concept of bioplastics compared to the traditional fossil fuel plastics, but also the concept of compostability and biodegradability. Indeed we'll also make sure (and this we'll do with the other piece of legislation) the packaging waste directive to make sure that in certain types of application only biobased and biodegradable compostable plastics can be used.

**Revision of the Packaging and Packaging Waste Directive**

And finally, the cherry on the cake, is the Revision of the P**ackaging and Packaging Waste Directive**. Indeed you may have the opportunity to already see the text because unfortunately was leaked, although this is not the final version. The first point is that we plan to change this into a **Regulation**, not a Directive. So for those of you not familiar, I can imagine with all the different type of legislation we have in the EU, but the regulation means essentially that is a type of legislation which is directly applicable to economic operators. While a directive, which was the old legislation, which we're now reviewing, has to be transposed by member states, so you have a very lengthy process. With the regulation, all the obligation we put forward will be directly on an economic operator. So it's even of more relevance to countries like you, which export also products through the EU and not only packaging.

And indeed, here we will have a number of measures. First of all for the first time in the history of circular economy of the EU a **prevention target at the level of member states**. So there will be a certain prevention target by a certain date **the overall amount of waste coming from packaging has to be reduced compared to a baseline of 2018.**

Second is the first time we introduce a **reuse target**, notably for the reuse sector and for the retailing sector. Of course there is still discussion the level of these reuse targets, but indeed, there will be an obligation to achieve a minimum percentage of reuse, especially in the retail sector. And more importantly, also we'll have recycled content obligation for plastics in packaging. We see that recycling in plastic packaging is still too low, notably for the type of plastics which are small fields and which are not recycled often through mechanical recycling, but they can be recycled in the future through chemical recycling. So there we will have an obligation that for the new products starting from 2030, there will be a mandatory target in terms of recycled content, and they will be of course classified. That is an important point I want to make, it would be according to different packaging categories, because of course what you can achieve in terms of recycled content in non-contact sensitive packaging is much higher than what can be done in contact sensitive packaging, which is open the packaging, which is used in the food supply chain or in the pharmaceutical industries, or in the cosmetics industry.

Indeed there will also have a harmonised system of labeling which is also very important. Notably, we will have four type of labels which will be harmonised at European level:

1. The first label will be on the sorting, i.e. in terms of PET programs, for facilitating sorting
2. The second label will be on reuse
3. The third label will be on recycled content
4. And we're also considering a possible label on compostability.

**What to expect in 2023**

Just to give you a review to see that this is a never-ending legislative process because indeed we are very ambitious in these areas. You know, the EU wants really to lead in the field of circular economy, also for due to the fact that we have scarce own resources, and we see that there is a huge potential to use secondary raw materials.

* So there will be the new Monitoring Framework for Circular Economy.
* There will be the new Legislative proposal specific for Right to Repair.
* There will be the Legislative initiative on microplastics.
* And also very important that there will be the Raw Material Act, which will focus on not only how to foster the supply of critical raw materials through mining sectors, but also to foster the supply of critical raw materials through the secondary raw materials. So through obligation, such as for example, recycle content obligation.

**Thank you**

And last but not least, we're also foreseeing, as I told you, the revision of another two pieces of legislation, the End-of-life Vehicles legislation. So how we make circular the car after we've done batteries, we also are planning on how to improve the design for recycling cars and how to make sure that there is more recycled content in new cars. And also we are coming with the Revision of the Waste directive, notably for two areas: One will be a food waste prevention target, and the other one will be, as I mentioned, an extended producer responsibility system for the textile sector.

So this is what I can tell you so far, and indeed I'm very grateful for the invitation. And indeed, it's always good, among partners, sitting, I mean quite far from each other, but still I mean technology gives us the opportunity to exchange, I think. As I said, it’s always excellent to exchange and to share experiences. Thank you very much.

*End of presentation. Mr Pellegrini addresses questions from Ms Millicer.*

**Helen Millicer:**

Thank you so much, Matteo. That is just an astonishing achievement and so much work that you are doing. So in terms of where you are going from here, I think it's important that people appreciate that you have policy, you have regulation - you have legislation and regulation. What do you see are going to be the implications for Australian manufacturers who are sending product into the EU now going forward? It's quite a changed landscape for them, isn't it?

**Mattia Pellegrini:**

Yes, indeed. So that is a very good question, and I'm very happy you made that point because indeed this will require adapting to this legislation. Because that legislation will apply to any product which will be circulated into the European market. So that essentially implies that in order to place onto the European market, the product has to comply with the relevant conditions.

I give you an example. The newly adopted, or soon adopted, Battery Regulation will apply a number of conditions on carbon threshold, for example, recycled content obligation for a number of critical raw materials such as lithium and cobalt. So then the batteries, imagine you have a big factory in Australia, the batteries which will be placed into the European market can only be placed if you meet that condition. The same would apply for textiles.

What will put forward all this obligation for a digital product passport or for a recycled content in textile. Then if you sell textile, then you will have to comply. And last, but not least as I said, plenty of packaging arrives in the EU from all over the world because we import many products. And with that, there is packaging on that. And the repackaging also will have to meet for example, in terms of recycled content for plastics, then the packaging which comes to Europe with, imagine you’re exporting fish from Australia, you would have to make sure that this container, this packaging container will include as of 2030, a minimum threshold, which is in the legislation that will soon be published recycled content for plastics, for example. So there will be really a lot of impact. That's the reason why it's important to engage with non-EU countries, because indeed the fact that we're being very ambitious on that means that also the products that come into the EU, it will be of course not considerable, that we put this law applicable only to European producers because indeed they're competing with the rest of the world.

**Helen Millicer:**

So what happens for example, if it's not able to be met, does that mean that it cannot be sold onto the market or that in actual fact, a levy or a price has to be paid? So is this the equivalent of the carbon, border adjustment mechanism in a way now applied to products?

**Mattia Pellegrini:**

It is not exactly the same. So what will happen then is that the product as such, will have to, it then cannot be placed on the market; but this will be based on self-declaration. So the companies that will self-declare that they've met this condition, and then we call in the member states (who we call maintenance surveillance authority) which will do random inspection. If they found that one product, imagine they expect one bottle of PET of plastics, and they see that there is not the recycle content which is required on it, then of course they can initiate a procedure. The procedure, of course, is increasing prejudice, so the first thing things will be a fine, so there will be a possibility to fine the company. But then indeed, if the company does not change the behavior, then the last consequence can be the withdrawal of the entire product category from the market. So you will see when this, I mean you can already read what we publish on packaging.

 **Helen Millicer:**

And so when do you anticipate will these new measures come into effect? So clearly it'll take time for businesses to adjust, for material to come through the system, whether it's for packaging or for products to comply with reusability requirements for the digital product passport, that won't be able to be put in place in 2023 or 2024. It will take time for these initiatives to be embedded also within the countries of origin. What do you see is the timeframe?

**Mattia Pellegrini:**

Thanks a lot indeed. Another very good question. And for most of this obligation, I mean, I cannot give a reply. We so have many obligations you will see these are very big piece of legislation. I mean, packaging could be 80 articles and 14 technical annexes. But in general then batteries is the same, seventy nine articles and 14 technical annexes. But for most of them it's in 2030, 2035. Because indeed we know that it will take a lot of time. So we cannot introduce also because indeed for recycled content, it takes time to be incorporated the same for sustainability requirements. Because you need to take into account the life cycle of designing of a product. So indeed will not be 2023, 2024, but the laws will be applicable as of 2023, 2024 in the sense that they will be published, they will be available, and then indeed the producers they have to comply.

Maybe if I can spend one last word, I mean I can stay a bit for questions, but I mentioned at the beginning of my presentation is the waste shipment regulation. That is also important, not only because most of the focus is on imports, but that legislation which is now in discussion with the European Parliament and the Council, there is already proposal by the Commission, will also change a lot to the export from the EU because we also export a lot of secondary materials. And there was, you remember the big discussion with China that stopped at a certain point, imports of paper from the European Union and also plastics because they would say that this was dump in China. So under the new legislation, there will be no longer any export outside the EU unless it will be treated under equivalent environmental condition.

That is that from the moment we adopt the new piece of legislation, the export cannot take place unless the third country has notified the intention to receive the waste from us and has demonstrated the facility in that country are equivalent to the facilities in the EU to treat that waste in terms of reuse and recycling. So imagine you are a recycling plant in Australia for paper, for pulp and paper. So you want to still continue to import the pulp and paper from us. I mean, and indeed you will no longer be able unless you then the Australian governments notified to EU the intention to receive that waste streams and justify that the environmental condition, which would be equivalent to the ones of the EU. And also then the come from the EU that we export to this facility in Australia will have to third party certify the facility. So there is a double obligation. First the member states to notify to us and ask for inclusion in our list for export. And secondly, there would be a third-party notification. I thought that also that would be important to relay.

**Helen Millicer:**

We're quite familiar with that Mattia because we have similar requirements and laws here in Australia governing the export of plastics. So Australia ceased the exportation of waste plastics unless it was pretreated to a level suitable for immediate application into manufacture. So that's ceased in this year and there's a proposal for the same for paper in due course. So that's all plastics, that's not just packaging, that is car bumper bars, it's pipe, it's all other sorts of materials. So we're familiar with the requirements for having an offtake agreement and signatory at the other end with the certification.

So, thank you so much for explaining all of that. It's a very comprehensive assessment that you've given us. There's clearly significant change underway, driven substantially by the EU. Australia may well catch up on a couple of fronts. Thank you very much for your insights because it will certainly inform discussion amongst our participants in the conference today and tomorrow. Thank you for your time.

**Mattia Pellegrini:**

Indeed. There was a real pleasure and indeed we are following also what Australia is doing. Because we see that you are on the same track as us in circular economy. And indeed, we know that this is also a solution to many other problems being the water scarcity, being the CO2 emission and the climate change challenge. So we see circularity as really an industrial policy. So that is really the new way for industry to function. And we have seen indeed with great interest that Australia is also following a similar path. And thanks a lot for the invitation.

**Helen Millicer :**

Correct. Thank you so much.

**Mattia Pellegrini:**

Thank you. Bye.