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accompanying the

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on a Community Ecolabel scheme

IMPACT ASSESSMENT

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EXECUTIVE SUMMARY

According to Article 20 of the Ecolabel Regulation¹, the EU Ecolabel scheme, which has been in place since 1992, has to be reviewed and the Commission must then propose any appropriate amendments to the Regulation.

The overall objectives of the scheme are to encourage the sustainable production and consumption of products, and the sustainable provision and use of services, by setting benchmarks for good environmental performance. By guiding consumers towards them, the Ecolabel should promote those products and services that have met these benchmarks compared to others in the same category. The Ecolabel scheme also needs to be usable as an integral and effective part of the wider Sustainable Consumption and Production policy framework of the European Commission, linking well with other instruments, such as Green Public Procurement (GPP), the Eco-Management and Audit Scheme (EMAS), the Eco-design directive and the Environmental Technologies Action Plan (ETAP), etc.

The Ecolabel review and impact assessment process began in February 2002, with the launch of a large-scale evaluation study on Ecolabel². In addition to the review, a number of stakeholder consultations have taken place, culminating in a public internet consultation at the beginning of 2006, the results of which indicated strongly the need for significant changes to be made to the Ecolabel Regulation. The impact assessment shows that the current scheme is unable to achieve its objectives as it suffers from low awareness of the label and low uptake by industry resulting amongst others from excessively bureaucratic processes and management.

Three main or macro-options are considered in this impact assessment: continuing with the present approach; phasing out the scheme; or making modifications to the scheme. Within the last option a number of micro-options are analysed and then considered as a package of measures representing the best modifications of the scheme. Following the analysis of impacts this last option has been chosen. The following package of measures is therefore proposed for the modification and simplification of the scheme:

- Design Regulation to better fit into the other sustainable production and consumption actions of the Commission;
- Open up the scope of the label;
- Introduce measures to encourage harmonisation with other eco-labelling schemes: EU Ecolabel criteria as a standard for other eco-labels; fast track procedure to adopt criteria developed by national ecolabel schemes;
- More product groups / quicker criteria development;
- Introduce a template for criteria documents to ensure they are more user friendly;
- Incorporate guidance for Green Public Purchasing into criteria development;
- Simplification of the assessment and verification procedures and abolition of the annual fee;
- Peer review for Competent Bodies;

¹ Regulation (EC) No 180/2000 of the European Parliament and of the Council of 17 July 2000 on a revised Community eco-label award scheme

(http://ec.europa.eu/environment/ecolabel/pdf/regulation/001980_en.pdf)

² http://ec.europa.eu/environment/ecolabel/revision_en.htm

- Boost marketing.

It can be expected that this modification and simplification of the scheme will lead, on the one hand to a considerable increase in companies using the label, therefore also to an increase in Ecolabelled products on the market and, on the other hand, to an increase in the number of consumers that know about, and are prepared to buy, Ecolabelled products as well as to an increase in the use of EU Ecolabel criteria in public procurement. The Ecolabel will be better tailored to policy makers, particularly within the framework of the Sustainable Consumption and Production Action Plan, and will be a useful benchmark and information tool on the environmental performance of products and services.

The economic and environmental impacts of the scheme will depend on the Ecolabel's success and this will in turn depend, amongst other factors, on how well it co-ordinates with other policy instruments aiming at promoting innovation in the life-cycle environmental performance of products. Forthcoming Commission actions on Sustainable Consumption and Production will examine ways to use a range of product policy instruments in a coherent and co-ordinated way to maximise their effect as a whole in driving both innovation and sales of better performing products. As the Ecolabel would be a part of such a package of instruments, its impact will need to be judged as part of that package.

This impact assessment concludes that, as a voluntary instrument, a modified Ecolabel can have net economic benefits for the EU economy, and increase both competition and competitiveness. The Ecolabel therefore works with the market and – with its simplified approach – is a model "better regulation" policy instrument.

SECTION 1: PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

1.1. Organisation and Timing

Work Programme reference: 2007/ENV/011

General chronology of the Impact Assessment:

The impact assessment process began in February 2002, when the Ecolabel Policy Management Group first met and was given the task to "*continue to develop and adapt the long-term policy and strategy of the scheme, as well as the integration of the Ecolabel in the various policies being developed in relation to sustainable consumption*". A sub-task of this multi-stakeholder group, set up by the European Union Ecolabelling Board according to their roles defined by Commission Decision 200/730/EC³, was to prepare for the revision of the scheme. The official evaluation study (named the 'EVER' study – see below) was launched in 2005. This study was accompanied by a Commission inter-service group that met on two occasions.

Task	Deadline	Status
External evaluation	Dec 04 - Dec 05	Completed
Selected stakeholder consultation	Jan 06 – Dec 06	Completed
Draft main direction revision	May 06 – June 06	Completed
Internal agreement main direction	June 06 – Nov 06	Completed
Draft text Regulation	Nov 06 – Aug 07	Completed
Impact assessment (incl. stakeholders consultation)	Dec 06 - Apr 07	Completed
Internal agreement draft text	May 07 - July 07	Completed
Revise draft text I Stage delayed due to integration into SCP Action Plan	Aug 07 - Feb 08	Completed
Inter-service consultation	Mar 08 - Apr 08	Underway
Revise draft text II	Apr 08 – May 08	To be completed
Commission adoption new Regulation	June 08	To be completed
EP – Council co-decision	Sep 2008 - End 2009	To be completed
Adoption new Legislation	Beg 2009 – End 2010	To be completed

³ Commission Decision of 10 November 2000 establishing the European Union Ecolabelling Board and its rules of procedure (OJ L 293 p24-30)

1.2. Consultation and expertise

External expertise used:

External expertise was used to conduct the evaluation study of the existing EMAS and Ecolabel Regulations. A large-scale evaluation study on the EMAS and Ecolabel instruments was carried out by a consortium of consultants led by Bocconi University, known as the 'EVER' study.⁴ This study included, as well as a major literature review, two stakeholder workshops and in depth interviews with participants and non-participants in the schemes as well as other interested parties. The Policy Management Group also provided input and was made up of representatives of Member States, consumer and environmental NGOs and industry. This group met on twelve occasions and produced four reports on the future of the Ecolabel scheme. A second important source was the study carried out for the Commission by AEA Technology "The Direct and Indirect Benefits of the European Ecolabel"⁵.

In addition this impact assessment makes use of the findings of the Working Group on Product Information Needs⁶ (one of the EU Integrated Product Policy working groups consisting of experts from government, industry and NGOs).

Stakeholder consultation:

Significant consultation has taken place with members of the multi stakeholder EU Ecolabelling Board (EUEB) based on informal discussion documents prepared by DG Environment (including six days of documented workshops spread over the last two years at EUEB meetings in Brussels and EUEB Presidential meetings in the Member States). These discussions have generated detailed written responses from key stakeholders (i.e. from Member States, environmental, consumer and industry representatives) that have guided the Commission in the early stages of developing options for the revision of the scheme. The above mentioned evaluation study (EVER) is partly built on detailed interviews with different stakeholders.

Finally, as part of the Impact Assessment, a public stakeholder consultation using the integrated policy making (IPM) internet consultation tool was organised in January and February 2007. This on-line questionnaire enabled all types of stakeholders to input their opinion on options proposed for the Ecolabel revision. The results of the 185 responses have been analysed and a report has been prepared in line with Commission guidelines.⁷ These results support the main directions of the revision options proposed, although in general they would favour a more radical change to the running of the Ecolabel (away from Commission Decision) and more radical rules on the influence of the criteria, such as them being used for reduced taxation or as the minimum standards for green claims.

Commission's minimum standards:

The Commission's minimum standards on consultation have been met.⁸ The time allowed for stakeholders to reply to the internet stakeholder consultation was more than 8 weeks, the minimum standard for the Commission. Additionally, as outlined above, extensive

⁴ http://ec.europa.eu/environment/ecolabel/revision_en.htm

⁵ http://ec.europa.eu/environment/ecolabel/pdf/market_study/benefitsfinalreport_1104.pdf

⁶ http://ec.europa.eu/environment/ipp/pdf/20070115_report.pdf

⁷ http://ec.europa.eu/environment/ecolabel/pdf/revision/revision_report2007.pdf

⁸ COM (2002) 704 final, Communication from the Commission: Towards a reinforced culture of consultation and dialogue - General principles and minimum standards for consultation of interested parties by the Commission

stakeholder consultation has been on-going with all types of stakeholder and interested parties beginning in 2005 and continuing during the course of 2006 and 2007.

Main results of the consultation:

The main conclusion from the consultation exercise is that, while the Ecolabel scheme has significant potential, a number of changes would be necessary for a more successful implementation:

- There is a strong need to integrate different instruments for environmental product policy. The EU Ecolabel scheme therefore has to be revised in such a way as to best fit within the mix of other environmental and sustainable product policy instruments. The Ecolabel cannot be a stand-alone instrument, but part of a well organised Sustainable Consumption and Production policy⁹, where outputs such as Ecolabel criteria, Green Public Procurement criteria, ETAP performance targets and Eco-design criteria etc. are linked closely together.
- The management of the scheme needs to be improved. In other words, who does what needs to be more clearly defined and the bureaucratic processes imbedded in the scheme need to be rationalised, allowing it to be run in a more business-like way.
- The bureaucracy linked to criteria development for product groups and to application procedures needs to be reduced whilst at the same time keeping the ambition level high.
- Criteria documents have to be much more user friendly with a standardised format.
- The assessment and verification procedures for the scheme have to be simplified to improve access to the scheme and to align it with other Commission product labelling schemes.
- The number of product groups as well as of licence holders has to be substantially increased, targeting those areas of highest environmental impact and where the possibility of improvement is highest.
- A more successful Ecolabel will, above all, depend on a substantially increased marketing budget.
- There is a clear need to better co-operate and co-ordinate with established national and regional ecolabel schemes.

1.3. Impact Assessment Board

A previous version of this IA was sent to the Commission's Impact Assessment Board which delivered its opinion on 30 May 2007. This has led to a number of changes to the text including the following:

- Extending Section 3: Problem Definition, especially with regard to the justification for having a third-party-verified ecolabel at EU level.
- Re-arrangements of the micro-options in Section 5: Policy Options.

⁹ The June 2006 **European Council conclusions**⁹ on the EU SDS established SCP as a new key priority policy area for action alongside climate change, clean energy, sustainable transport, natural resources and public health. It called for the Commission to put forward an Action Plan by 2007 to "*help to identify and overcome barriers for SCP, ensure better coherence between the different related policy areas, and raise awareness among citizens and change unsustainable consumption habits*".

- Deepening the analysis of impacts in Section 6, amongst others concerning Ecolabel as a driver for innovation, social impacts and macro-options 1 and 2 (business as usual and phasing out the scheme).
- Adding more substance to the description of administrative costs in Section 8.

SECTION 2: POLICY BACKGROUND

To understand the possible need for a revision of the Ecolabel Regulation we first need to develop an understanding of how the current scheme works. The following gives an overview of the structure, procedures and bodies of the EU Ecolabel under the current Regulation:

European Union Ecolabel scheme – an overview

THE MAIN ELEMENTS OF THE SCHEME

Being a voluntary, market-based instrument, the primary function of the EU Ecolabel is to stimulate both the supply and demand of products that have a lower environmental impact compared to others in the same category. On the demand side, the scheme gives European consumers the means to make informed environmental choices when purchasing products. With respect to supply, the EU Eco-label has the clear objective of encouraging businesses to market greener, officially licensed, products. The "Flower" is the assurance that a product which is marketed as "green", really belongs to the high end of the environmental market.

The Europe-wide coverage of the scheme means that companies do not have to make applications in every country where they wish to market their products, and thus avoids time-consuming and costly procedures. The same logo is used regardless of the product group in question, thereby reducing consumer confusion due to the numerous self claims and green logos in existence.

The label is awarded only to those products and services that meet the selective criteria developed and decided in a transparent process with representatives from industry, commerce, environmental and consumer organisations. Ecolabel criteria are based on studies which analyse the impact of the product or service on the environment throughout its environmental life-cycle, starting from raw material extraction in the pre-production stage, through production, distribution and disposal.

It is for the producer, retailer or service provider to decide whether or not to apply, once the criteria are published in the Official Journal. The voluntary nature of the scheme means that it does not create barriers to trade. Foreign and Community producers may apply for the logo if they meet the criteria and want to market their products in the EU/EEA.

THE ACTORS

The Commission

The Commission is responsible for the overall management and coordination of the scheme. It has the power of "proposal" on every legal document for the implementation of the scheme (criteria documents, fee structure, rules of procedures of the different groups, standard contract are all published as Commission Decisions in the Official Journal), as is the case with all legal acts coming from the EU. These proposals, agreed via inter-service consultation, are then submitted to a "Regulatory Committee", i.e. a vote by Member States. Together with the Member States the Commission is responsible for marketing the Ecolabel. It gives financial support to NGOs to ensure a balanced stakeholder participation.

Competent Bodies

The Ecolabel Regulation requires each Member State to designate a Competent Body (CB) which is responsible for implementing the Ecolabel scheme at MS level. The CBs have to contribute to criteria development, they have to consult stakeholders at MS level, market the scheme (shared responsibility with the Commission), receive applications from companies and they award the label after verification as to whether all the criteria have been met.

The Consultative Forum

The Consultative Forum is the stakeholder forum and is composed of representatives from industry, trade unions, SMEs and consumer and environmental NGOs.

The EU Ecolabelling Board (EUEB)

Composed of representatives of the CBs and the members of the Consultative Forum, the EUEB meets 3 to 5 times a year and discusses draft criteria documents as well as any other issue relevant for the implementation of the scheme. The EUEB has several sub-groups: the so-called Management Groups (currently for Marketing and Co-operation and Co-ordination) and the ad-hoc working groups which discuss draft criteria for product groups at expert level. The Commission acts as the Secretariat for the EUEB.

The Competent Body Forum

In this forum, CBs discuss implementation issues related to the criteria documents in order to ensure a harmonised approach across the EU.

The Regulatory Committee

Representing the MS governments, this Committee votes on draft criteria documents tabled by the Commission (after they have been prepared and discussed by ad-hoc working groups and the EUEB). The voting rights are the same as in Council, and a qualified majority is needed.

THE PROCEDURES

Award criteria development

The initiative for selecting a product group¹⁰ is taken either by the Commission or by the EUEB. Once a product group is selected for the development of new criteria, the Commission gives a mandate (Commission Decision) to the EUEB to proceed with the work. After the completion of official tender procedures, one of the Competent Bodies is awarded a contract to take the lead for this product group.

The EUEB procedures foresee a certain amount of preparatory work led by this lead Competent Body to determine whether the product group falls within the scope of the scheme, notably representing a significant volume of sales, involving a significant environmental impact and equivalent potential for improvement and a significant sales volume.

A feasibility and market study is carried out to collate data on the following aspects: the market structure and the various types of product groups on the EU market, the opinions of all interested parties, the key environmental impacts and key elements relating to the product's fitness for use, an inventory of eco-labels, standards, test methods and studies. Consumer perception, functional differences between types of products and the need for identifying sub-groups will be assessed. Generally the interests of the main parties and SMEs concerned and

¹⁰ The Ecolabel regulation defines a product group as "any goods or services which serve similar purposes and are equivalent in terms of use and consumer perception."

the overall impact are key elements for the selection of a product group and the development of the scheme.

An ad-hoc working group is organised by the lead Competent Body. Composed of experts from the Member States and representatives of all interested parties concerned, the group evaluates the preparatory phase and discusses possible criteria. On the basis of these results and consultations (usually 3 or 4 meetings per product group), the lead Competent Body drafts a criteria document which is then presented to and discussed by the EUEB (usually also 3 to 4 times). Once the draft criteria are sufficiently negotiated in the EUEB, the document goes into an inter-service consultation process within the Commission where all relevant Commission services either give their agreement or require changes to the presented draft. After a consensus has been reached within the Commission, the draft document goes to a Regulatory Committee (Member States delegates) where it needs to achieve a qualified majority for adoption (Comitology).

After a positive vote, the document is translated into all the official EU languages before it is published in the Official Journal as a Commission Decision. This whole process can take up to four years and sometimes criteria may be outdated by the time they enter into force. Even small changes that may turn out to be necessary as a result of the first applications (see below) for these new product groups can take up to two years before entering into force.

Applications and award of the label

Companies which want to use the Ecolabel have to apply to the Competent Body in the MS where the product is manufactured (if it is manufactured in several MS the company can choose one of these MS's Competent Bodies to apply). For imported products, the application has to be filed with one of the CBs where the product is imported. After a positive verification of the application, the CB concludes a contract with the company which entitles the applicant the use the Ecolabel for marketing purposes for the remaining period of validity of the ecological criteria. The Competent Body charges a harmonised fee for the application and the annual use of the Flower logo.

The award of the Ecolabel means that successful applicants are permitted to use the official Flower logo on their approved product in a market of almost 500 million consumers. Thus a consumer in a supermarket who is faced with a line of different brands of laundry detergents for instance, will be able to pick out, by checking the Ecolabel logo, the ones which achieve a high standard of environmental performance compared with the rest of the field.

Following the request in the Ecolabel Regulation to review the scheme after a certain time, the Commission launched an evaluation study which, in short, showed that after 15 years of existence the EU Ecolabel has not reached its potential.

SECTION 3: PROBLEM DEFINITION

In the context of the revision of the EU Ecolabel we have to start our analysis with two fundamental questions:

1. Why an EU Ecolabel?
2. Why is there a need for revising the Ecolabel Regulation?

1. Why an EU Ecolabel?

As highlighted in different reports published by the European Environment Agency and others, the state of the environment gives raise to increasing concerns. Global warming is just one – and currently the most prominent – key word in this context but many others would need to be mentioned as well – such as bio-diversity, air and water pollution or ozone depletion.

There is a clear need to reduce the negative impacts of production and consumption patterns on the environment, health and natural resources. Currently, the Commission is preparing a Green Paper on an Action Plan on Sustainable Consumption and Production (SCP) which will constitute the framework for an integrated implementation of a mix of instruments aiming at reducing exactly this negative impact of modern life on the environment, health and natural resources.

A multi-criteria, third party verified Ecolabel based on life-cycle thinking could constitute a very important element of such a mix of SCP policy instruments and the importance of such an Ecolabel scheme has already been emphasised in earlier policy documents such as the Commission's Communication on Integrated Product Policy¹¹ and the 6th Environmental Action Programme¹² Eco-labelling also has some unique benefits over other possible policy instruments such as taxes and direct regulation – for example the direct empowerment of consumers themselves to drive environmental change. In this way, eco-labels can provide information to consumers about what the key environmental issues are in relation to a product and what the differences between products are. Additionally, other instruments may make use of the EU Ecolabel scheme in the future in terms of criteria development and stakeholder involvement. Examples might be lower taxes for Ecolabel products or direct regulation concerning non-Ecolabel products.

Within a single market a single set of guidelines benchmarking the environmental credibility of products is the logical way forward, as opposed to having different benchmarks in each Member State. An EU-wide scheme makes it easier for businesses wishing to market more "environmentally friendly" products within the EU and it means consumers can purchase so-called "greener" products wherever they are, safe in the knowledge that these products share common environmental credentials. The EU Ecolabel is the only such label for the entire internal market - existing national or regional eco-label schemes cover it only in part.

If consumers, as well as private and public purchasers are to take environmental criteria into consideration when they choose their products and services in the market, it is important that they can find easily understandable and credible guidance to enable them to distinguish the truly "green" products from their competitors. Eco-labels can play a very important role in any package of measures aiming at promoting development and sales of greener products;

¹¹ (IPP) (COM (2003) 302 final)

¹² (Decision No 1600/2002/EC)

they set a clear benchmark for the market and, for example, eco-label criteria can also be included in calls for tender in green public procurement.

The EU Ecolabel also provides a useful benchmark of environmental performance in other ways:

- The EVER study confirms that the EU Ecolabel criteria are used even by non-participating companies, with more than half of such companies interviewed declaring that they use the Ecolabel to benchmark their environmental performance, even when they do not apply for the label.
- Under the Eco-design Directive for energy-using products¹³, any product which has been awarded the Ecolabel is automatically considered as compliant with the implementing measures.
- EU Ecolabel criteria have also been used in some cases by other eco-label schemes like the Austrian Ecolabel or the Nordic Swan. Both have chosen to directly adopt the EU criteria word-for-word for some of their own product groups.

As a voluntary instrument, an eco-label can have net economic benefits for the EU economy, potentially increasing both competition and competitiveness. The Ecolabel will reward innovation with increased profits, providing market incentives for greater innovation in the EU economy.

The obligatory life-cycle approach ensures the consideration of relevant impacts across the different environmental problems and from cradle to grave therefore avoiding the mere shift of burdens.

2. Why is there a need to revise the Ecolabel Regulation?

The main problems identified with the current scheme are:

Low awareness

The EVER study mentions low awareness as the most significant barrier in using the Ecolabel for marketing purposes. According to a recent Eurobarometer Survey¹⁴, 48% of Europeans do not know what the logo means while only 11% correctly said that it is a label for ecological products and services. In comparison, 80% of Germans know the Blue Angel and 67% of people in the Nordic countries understand the Swan.¹⁵ The Eurobarometer also finds that, apart from being widely unknown, the logo is also confusing to consumers. Many respondents think either it stands for organic food or just for high energy efficiency.

¹³ See http://ec.europa.eu/enterprise/eco_design/dir2005-32.htm

¹⁴ http://ec.europa.eu/environment/ecolabel/pdf/studies/eurobarometer_survey.pdf

¹⁵ Source: <http://www.svanen.nu>

Low uptake by industry

Over the 15 years of its existence the EU Ecolabel has attracted some 470 companies (many of which are SMEs). Beginning of 2007, the Blue Angel had 560 companies¹⁶ and the Nordic Swan 680 (These being the biggest two national ecolabelling schemes).

While those using the scheme point out the positive environmental benefits they have brought, and while the scheme continues to grow steadily with around €800 million of sales of eco-labelled products, it still commands a very small EU market share in relative terms.

What are the underlying drivers of these problems?

a) Regulation too restrictive

A general lack of flexibility of the scheme due to the restrictive way in which the Regulation is written is also seen as a problem. The EU Ecolabel is unable to respond to new environmental challenges for this reason. Some examples of this are:

- It is difficult to develop Ecolabel criteria alongside criteria for other Commission instruments – both existing, eg. Eco-design of Energy using Products Directive, ETAP Performance Targets or future eg. possible proposals coming from the SCP Action Plan
- All food products and medical devices are currently excluded from the scope of the EU Ecolabel. However, food production has been highlighted as having one of the greatest environmental impacts¹⁷ in terms of production and consumption. A number of new schemes are being developed in the EU looking at the "carbon footprint" of food products, but the current EU Ecolabel is unable to offer its expertise in this field.
- Calls for an EU Ecolabel for sustainable fisheries are also impossible to respond to by the scheme.

b) Insufficient co-operation and harmonisation with other ecolabel schemes at national and regional level

This issue has been discussed at length during the last revision of the Ecolabel Regulation and subsequently in the EUEB and its Co-operation and Co-ordination Management Group. It has always been seen by all as being of crucial importance to give the Ecolabel real "added value", however up to now only occasional measures have been implemented on a voluntary cooperation basis. In a few cases other schemes have adopted EU criteria documents which gives companies the opportunity to get both labels through one application and also save money on fees, but most of the time criteria development in the different schemes is quite independent of what happening at EU level. This makes it necessary for companies willing to market their products with an eco-label to adjust to different requirements and to apply for different labels separately (given the still low level of awareness of the EU label, companies still have an interest in also using the well-known labels in some countries – see above "level of awareness").

c) The Ecolabel faces strong competition from green self-claims

¹⁶ Source: www.blauer-engel.de

¹⁷ See EIPRO study, Environmental Impacts of Products – Analysis of the life cycle environmental impacts related to the final consumption of the EU-25 (<http://www.jrc.es/publications/pub.cfm?id=1429>)

The consumer is confronted with numerous green claims on products without knowing on what criteria development process these claims are based. The number of these self-claims by industry suggests that the current legal framework seems inadequate and the consumer is often left in confusion or uncertainty.

d) Insufficient stakeholder involvement in product group criteria development

The evaluation study on the Ecolabel highlighted the fact that many stakeholders, such as industry, do not feel fully involved in the scheme because, while they can contribute to the working groups on the development of the criteria documents, their comments are often not responded to.

e) Procedural and organisational problems – i.e. excessive bureaucracy

The evaluation study highlights the complexity of the Ecolabel structures and procedures as a barrier for the development of the scheme. Within the current organisational framework of the EU Ecolabel it is possible to develop one or possibly two new product groups a year. However, as the total number of product groups increases there are an increasing number of product group criteria that need to be revised leading to a subsequent reduction in the resources available for the development of new products groups. Simple revisions of criteria take years to complete and the final decision-making process on criteria is long and political. For fast-changing products such as electronic devices it is crucial to have a framework which allows a frequent and quick up-date otherwise criteria would, in a short space of time, be unable to keep up with market developments.

f) Low number of product group categories

At the beginning of 2007, 23 product groups were in force¹⁸. A rather modest number compared to 80 in the German Blue Angel system and the 60 in the Nordic Swan.

g) Problems in using the Ecolabel in green public purchasing activity

Currently, there are two problems: Firstly, criteria documents are not easily usable for public procurement purposes because they are often long and complicated which makes it difficult to extract the relevant parts for calls for tender. Secondly, the procurement directives do not allow those involved in the process to directly ask for Ecolabelled products but only to use Ecolabel criteria for the technical specifications.

h) Fees and cost of getting the label

The annual fee is currently a % of sales of the Ecolabelled product, this can scare off potential applicants, because the more they sell the higher the fee will be. This seems to go against the idea of the polluter pays principle, with those companies making the effort to produce more environmentally sound products, paying for the label. It also requires a bureaucratic process at the end of each year. On top of the fees, companies have to bear costs for testing and verification which, for some product groups, can be considerable – in certain cases more than €10,000. The criteria themselves are often complex and difficult to work though, so the application process can take some time.

i) Lack of funding for marketing and running the scheme

The EU Ecolabel budget for marketing in the whole of the EU directly from the Commission is around €460K per year with 5 dedicated staff helping to run the scheme. (with around €150K per annum on product group development and revision) Member States spending on marketing of the Ecolabel varies year on year around an average figure of approximately

¹⁸ See list of product groups in Annex.

€1.5m. Within the Member States there is a total of 36 staff, with an annual running cost of about €2.3m. Income from fees was around €260K in 2004. This is clearly insufficient to make a brand – and from a marketing perspective the Ecolabel can be seen as a brand – well known in the market.

As a comparison, the Nordic Swan's current annual budget in Norway, Sweden, Denmark and Finland is about €7.5m and the scheme is run by around 70 employees. Additionally they have a budget of €3m for marketing, information and sales in 4 countries comprising about 25 million people altogether.

According to the EVER study "95% of the companies participating in the EU scheme use the Ecolabel in their marketing campaigns (TV and press advertising, promotion initiatives on the point-of-sale, etc.)". However, as long as the total number of companies is low, the impact of their individual marketing activities is limited. There is a clear need for money for an initial period to boost knowledge of the label to a point where companies can clearly see benefits from using it.

j) Lack of transparency with regards to implementation of the regulation in MS

Competent Bodies are responsible for the assessment and verification of the applications they get from companies wanting to use the label. Currently, there is no systematic information on the consistency in which the Regulation is applied by the different Competent Bodies. Usually three times a year there is a CB meeting in order to discuss issues of implementation, but only a limited number of CBs participate in these meetings and, in general, it is unclear if the Regulation is implemented in a consistent and harmonised way across the EU.

k) The harmful environmental impacts over the life-cycle some products can be much greater than other products on the market which serve the same function, yet there are often no reasons for manufacturers to improve the environmental performance of their products.

As the market price does not reflect the environmental damage caused during the life-cycle, more harmful products compete at an advantage against similar products with improved environmental performance – with two potential results: a) there is 'unfair' price competition to the disadvantage of products which are more expensive because they have improved environmental performance, which limits the commercial rewards for manufacturers who improve their product's performance – and this acts as a break to innovation; and b) consumers unknowingly purchase products whose additional environmental harm to society outweighs the cost savings to the consumer.

Manufacturers of products with worse life-cycle impacts have few or no reasons to try to improve those products performance, which therefore may slow improvements in the product group as a whole. This is likely to limit the effectiveness of Ecolabel as an instrument promoting gradual improvement of product environmental performance.

The EuP Directive is designed to tackle these problems, but has a scope limited to products which use energy. The possibility of introducing implementing measures for removing the worst performing products from the market in terms of their environmental performance could also be desirable and the Ecolabel scheme could act as a benchmarking tool for any such policy. Any of the current range of Ecolabel product groups could be used as an example such as using the Ecolabel criteria to recommend standards on the environmental impact of cleaning products on the market, helping to reduce the levels of toxic compounds found in such products.

Who is affected, in what ways, and to what extent?

The Ecolabel has failed to provide the intended service to a number of stakeholders who could have benefited from using it:

- Consumers who would like to have clear guidance on which products are more environmentally friendly hardly find the EU Ecolabel on products. In many countries, they will also not find any other third-party label available.
- Companies wanting to use the Ecolabel as a benchmark for product development can only do so for a limited number of product groups.
- Those companies wanting to use the label as a credible marketing tool for promoting their green products are restricted to the same small number of product groups and have little added value from the label due to the fact that it is only known to about 10 % of the European population.
- Public purchasers are also affected. They are looking for simple criteria which they can put into their calls for tender, but either the Ecolabel criteria do not exist or they are over-complicated. Instead there are very different rules and guidelines, in different stages of development in different Member States.
- Policy makers, wishing to find understandable life-cycle information on products and looking to find out what the key environmental impacts are for linking to other policies (for example for setting mandatory minimum criteria under the Energy-Using Products directive) often have to start from the beginning because they cannot use the Ecolabel as a source of such information.

How would the problem evolve, all things being equal?

Basically, the above mentioned problems would persist and be aggravated. There would be no coherent EU-wide policy setting environmental benchmarks for products. The different Member States would continue to develop their own very different labelling and green public procurement systems and this would mean additional confusion for consumers and additional bureaucracy for companies. In the end it would lead to less progress in terms of sustainable production and consumption that would, in turn, mean less economic growth. See also, Policy Option: "Leave the scheme as it is".

Does the EU have the right to act - Treaty base, "necessity test" (subsidiarity) and fundamental rights limits?

Yes. Most of the issues described in this section are fundamental problems that lie within the Ecolabel Regulation itself. To tackle these problems requires changes to the Regulation that cannot be dealt with by Member States themselves. Indeed, the right to act is already mentioned in Article 20 of the current Regulation, where it states: *"the Commission shall review the Scheme in light of the experience gained during its operation...and propose any appropriate amendments to this Regulation"*.

SECTION 4: OBJECTIVES

The overall objectives of the revision of the scheme are:

1. To encourage the sustainable production and consumption of products, and the sustainable provision and use of services, by setting benchmarks for good environmental performance. By guiding consumers towards them, the Ecolabel should promote those products and services that have met these benchmarks compared to others in the same category.
2. The revised Ecolabel scheme needs to be designed in a way to ensure that is usable as an integral and effective part of the wider Sustainable Consumption and Production policy framework of the European Commission. The new Regulation needs flexibility to link easily with other instruments, such as GPP, EMAS, Eco-design, ETAP, etc.
3. A much more influential Ecolabel in terms of supporting other SCP policies and setting benchmarks for good environmental performance for policy makers, for companies or for educating the public.

Operational objectives are:

- High awareness, understanding and respect in the EU-27 and around the world. The medium-term benchmark for success should be that the Ecolabel is recognised by consumers and by companies throughout the EU at a similar level to the recognition of the Blue Angel or Nordic Swan in their respective countries of operation.

*Indicators: % of population that know the Ecolabel and its meaning within ten years
% of companies that know the Ecolabel within ten years*

- Building up trust in the label and maintaining its credibility is also vital. The label must be a highly respected benchmark of environmental performance.

Indicator: Level of credibility when compared with other environmental labels

- Criteria are needed for all products and services where the Ecolabel can provide benefits, especially product groups with a substantial environmental impact and therefore with high potential for improvement.

Indicators: Number of product groups; number of companies per product group; number of items sold per product group; sales volume per product group.

- Many more Ecolabel products on the shelves for consumers to choose from;

Indicator: Ecolabel sales as a percentage of total retail sales in this product group.

- Criteria documents which can easily be used by public purchasers and policy makers.

Indicator: Use and uptake of Ecolabel criteria by public purchasers monitored by questioning Member States, also hits on GPP website and on Ecolabel criteria documents.

Indicator: Number of policies that can be attributed to having used the Ecolabel product information work.

- An Ecolabel very well harmonised with other labels, globally and nationally.

Indicator: Frequency of national labelling schemes directly taking on the Ecolabel criteria.

- An Ecolabel that can be attained by companies with limited costs and efforts for them while still maintaining a high ambition in order to ensure credibility of the label with consumers and environmental groups.

Indicator: Number of licences

Consistency of objectives with other EU policies

The Commission's Communication on Integrated Product Policy¹⁹ analysed the need for a product dimension to environmental policy and acknowledges the role the EU Ecolabel has to play in a mix of product related instruments.

One of the overall objectives of the Sustainable Development Strategy (SDS)²⁰ is the promotion of sustainable consumption and production patterns. Being an important tool for improving the environmental performance for products and processes and for encouraging their uptake by business and consumers, a well-designed Ecolabel scheme is directly contributing to this SDS objective. The aim of better serving the needs of green public procurement (GPP) will also contribute to reaching the relevant SDS objective.

The Ecolabel provides a means by which market forces can reward products and services which meet consumer demand in less environmentally damaging ways. This will typically be through innovation either in product design or in the production process. The Ecolabel therefore promotes and supports innovation, whilst at the same time increasing the efficiency of resource use in the economy, both of which are key goals of the "Lisbon" Strategy for Growth and Jobs. The majority of firms taking up ecolabels are typically SMEs, which shows the potential of the Ecolabel to support SME development provided that the issues of implementation of the scheme by SMEs are addressed. Thus a strong and efficient Ecolabel would boost EU industrial policy.

Furthermore, the life-cycle approach followed for the development of Ecolabel award criteria ensures that due account is taken of the impact of certain a product or service on themes which are high up on the political agenda, such as climate. At the same time, this approach avoids that concentration on just one environmental theme leads to solutions which would have a high impact on other environmental themes.

The objective of better integrating the Ecolabel with other environmental product policy instruments also contributes to "better regulation".

¹⁹ (IPP) (COM (2003) 302 final)

²⁰ SDS reference to be included

SECTION 5: POLICY OPTIONS

Possible options for meeting the objectives and tackling the problem.

(Note: The following options have been broken down to two levels: macro-options, such as keeping, dropping or modifying the Ecolabel scheme are presented, and then micro-options, where considerations of individual areas of change to the current scheme are presented. These micro-options are relevant if the macro-option of "modifying the current scheme" is chosen – in this case some the micro-options may be accepted or rejected to make up a package of measures for the modification of the scheme.

Macro-option 1 – Continue with the present approach = Business as usual

Changes required:

None – the current Regulation would remain in force and work would continue as now.

Macro-option 2 – Phase-out the scheme

Changes required:

- Stop Commission funding for development of new product groups and marketing.
- Let the current criteria documents expire.
- Slow down and eventually stop having Ecolabel meetings.
- Stop taking on new Ecolabel customers.
- Finally, withdraw the Regulation.

Macro-option 3 – Modify the scheme

Changes required:

A number of micro-options are available for modifying the scheme in different areas of its operation. Modifications range from the administrative to the political, looking at how the scheme is run and how decisions are made, as well as considering modifying how the Ecolabel criteria are used in relation to other ecolabelling schemes and in relation to other environmental tools. These micro-options are derived from a wide consultation exercise with all stakeholders, from the evaluation study (EVER), and from the attempt to respond to the problems with the current Ecolabel scheme. The impacts of these micro-options need to be considered both individually and in synergy with each other. If macro-option 3 is chosen, then the best *package* of measures suitable for achieving the objectives of the Ecolabel would need to be selected.

The following table gives an overview of the relationships between the micro-options and the problems presented in section 3. (For the sake of simplicity, only the main links are highlighted even if some micro-options are linked to various problems. In order to further readability, at each heading of the detailed description of the micro-options there is a reference to the problems presented in section 3.)

Micro-options	Problems
Introduce fiscal incentives for the Ecolabelled products and services.	Especially low uptake by industry but also problems in using Ecolabel in green public purchasing activity.
Open up the scope of the label.	Regulation too restrictive
Introduce measures to encourage harmonisation with other eco-labelling schemes.	Insufficient co-operation and harmonisation with other eco-label schemes at national and regional level.
Introduce a new standard for making green claims in Europe.	Insufficient co-operation and harmonisation with other eco-label schemes at national and regional level. The Ecolabel faces strong competition from green self-claims.
More direct stakeholder involvement.	Insufficient stakeholder involvement in decision making on product group criteria.
More product groups; quicker criteria development; better decision making procedures; better criteria documents.	Insufficient stakeholder involvement in decision making on product group criteria; procedural and organisational problems – i.e. excessive bureaucracy; low number of product group categories.
Incorporate guidance for green public purchasing into criteria development.	Problems in using Ecolabel in green public purchasing activity.
Change of rules for public procurement to favour products or services meeting Ecolabel criteria.	Problems in using Ecolabel in green public purchasing activity.
Simplification of the fee structure.	Fees and cost of getting the label.
Abolish third-party verification.	Procedural and organisational problems.
Accredit bodies outside the EU to deal with Ecolabel applications.	Procedural and organisational problems.
Boost marketing.	Lack of funding for marketing.
Peer reviews for Competent Bodies.	Lack of transparency with regards to implementation of the Regulation in MS.
Provision of information by the EUEB on appropriate future minimum environmental standards for products	Often no reasons for manufacturers to improve the environmental performance of their products

Micro-options:

micro-option i.

Introduce fiscal incentives for the Ecolabelled products and services:

(See Section 3.2 – "main problems identified with the current scheme")

This option would see a system put in place to allow the possibility for Value Added Tax breaks to be introduced at the EU level for products bearing the Ecolabel, or that meet some or all of the criteria. These savings could boost the profits of participating companies either through increased sales of lower priced goods or by allowing them to add a premium to the price of the product without this being reflected "on the shelves" when compared with other products.

micro-option ii.

Open up the scope of the label

(See Section 3.2.a)

All food products and medical devices are currently excluded from the scope of the EU Ecolabel. This option will remove the restrictions on scope within the Ecolabel allowing for any product which can meet the aims of the label to have the potential to be labelled.

micro-option iii.

Introduce measures to encourage harmonisation with other eco-labelling schemes

(See Section 3.2.b)

There are a number of other ISO type I (third-party-verified) labelling schemes in different Member States running schemes similar to the EU Ecolabel, but criteria and their development, application procedures and fees are not harmonised. This option sees various possible sub-measures:

- a) EU Ecolabel criteria as a standard for other ecolabels:

Specified Ecolabel criteria, agreed by Commission Decision, will have to be adopted by other schemes within a certain time if those schemes wish to cover the product group in question combined with a rule that if a national scheme wishes to develop a new product group that is already covered by the Ecolabel, they must take on the Ecolabel criteria.

- b) Accreditation of national/regional ISO type 1 schemes to use the Flower:

By Commission Decision, other European ISO type 1 eco-label schemes can be "accredited", if that scheme can demonstrate fully its ability to meet the aims of the Ecolabel scheme. An accredited scheme then has the right to offer, to companies under its scheme, the use of the EU Flower logo, for any of its product groups not covered by the EU scheme at the time. For example, if the Nordic Swan scheme were to be accredited, then any companies currently bearing the Swan logo for any product group not covered by the EU Ecolabel, could use the Ecolabel Flower logo for their marketing.

- c) Eventually ban national labels from operating when Ecolabel criteria exist

At a fixed time after the adoption of Ecolabel criteria national labels would have to withdraw their product groups altogether, allowing the EU Ecolabel to be the only label available for the product groups it covers.

- d) Fast track procedure to adopt criteria developed by national/regional ISO type schemes

In order to increase the number of product groups for the EU Ecolabel, a shortened criteria development process for criteria that have already been developed by another ISO type 1 labelling scheme can be established.

micro-option iv.

Introduce a new standard for making green claims in Europe

(See Section 3.2.b+c)

Companies wishing to write "bio" or "organic" on food in the EU must meet EU standards to do so. No such standard exists for green claims like "environmentally friendly" and "eco". The new Ecolabel Regulation will use selected "core" Ecolabel criteria as a basis for setting minimum standards for general environmental claims on products. Commission Decision will determine the most relevant criteria per product group, that will then have to be met in order for a product to be allowed to make green claims about itself. Member States will be required to ensure, through market surveillance, that companies making general green claims are in line with these criteria, in the same way that they must prevent the use of any other false claims on products.

micro-option v.

More direct stakeholders involvement

(See Section 3.2.d)

This option will see the final decision making on criteria pass from Regulatory Committee to a stakeholder body comprising balanced composition ensuring all the interests are represented in an appropriate way.

micro-option vi.

More product groups / quicker criteria development / better decision making procedures / better criteria documents

(See Section 3.2.d+e+f)

This option will introduce the possibility for criteria development to be managed by any interested stakeholder, (eg. industry or NGO as well as Member States) under specified conditions ensuring full open consultation and appropriate life-cycle considerations. The option will allow for the adoption of criteria from other schemes, if they can be shown to have been well developed.

Specific guidelines for criteria development will be included in the Ecolabel Regulation. These guidelines are a practical manual setting out each procedural step required to develop criteria (e.g. who is to be consulted and when, how the different actors and bodies have to be informed and when), as well as the contents of the background report and the final criteria document. Any new product group criteria submitted to the stakeholder body for a vote is, therefore, accompanied by a standardised report showing how each of the steps had been completed, answering specific questions and indicating how the criteria were derived. Sections shall include:

- Reasoning for choice of product group / scope of product group²¹,
- Standardised market analysis;

²¹ The Commissions Integrated Product Policy work on "Identifying products with the greatest potential for environmental improvement" can give guidance for the selection product groups: <http://ec.europa.eu/environment/ipp/identifying.htm>

- Consideration of any possible trade issues;
- Analysis of criteria of other labels;
- Setting of ambition levels;
- Life-cycle considerations (including results of consultation with EU Platform of Life- Cycle information);
- First draft criteria – reasoning/justification for each criteria;
- Expected environmental/economic/social impacts per criteria;
- Assessment and verification specifications;
- Estimated costs of tests;
- Table: who was consulted, what they said, why their input was accepted / rejected;
- Final criteria;
- User manual.

This option will also introduce a standard template for criteria documents. The template will ensure that the presentation of Ecolabel criteria is standardised across product groups and that criteria are broken down into clear impact categories that are easy to understand for the first time reader.

micro-option vii.

Incorporate guidance for Green Public Purchasing into criteria development

(See Section 3.2.g)

The new Regulation will include new guidelines ensuring criteria documents contain specific simple "cut and paste" guidance and advice for public procurement officers and that key "best GPP criteria" are highlighted in Ecolabel criteria documents.

micro-option viii.

Change of rules for public procurement to favour products or services meeting Ecolabel criteria

(See Section 3.2.g)

This option sees the introduction of new EU-wide rules within the Ecolabel Regulation that state that when public procurement tenders are made, those responding who meet Ecolabel criteria should be favoured, all other factors being equal.

micro-option ix.

Simplification of the fee structure

(See Section 3.2.h)

The fee for using the Ecolabel is currently a percentage of sales of the eco-labelled product.

Two sub-options are considered:

- a) **A simplification of the fee structure.** Under this option, only one fixed annual fee would be required per Ecolabel licence, unlike the current system where the fee is linked to the volume of sales of the eco-labelled product. Three fees would exist: one considerably reduced fee for micro enterprises, one reduced fee for SMEs and one for all other companies.

- b) **No annual fees are charged at all.** Companies will be able to use the Ecolabel for free, apart from the need for a small, limited application fee.

micro-option x.

Abolish third-party verification

(See Section 3.2.e)

This option would be a move towards self-declarations for the EU Ecolabel. Once criteria are set, any company that meets those criteria will be able to use the logo with no application process required. The Competent Bodies in Member States would then carry out spot checks on products and companies to ensure that the rules are being adhered to.

micro-option xi.

Accredit bodies outside the EU to deal with Ecolabel applications

(See Section 3.2.e)

Companies from outside the EU can already apply for the label, but must do so via a EU Member State and the process is expensive and long. This option would allow, under strict conditions, for governmental bodies outside the EU to be authorised to deal with applications for the Ecolabel.

micro-option xii.

Boost Marketing

(See Section 3.2.i)

This option would see a big marketing push for the EU Ecolabel in the short-term to increase public and industry awareness of the scheme to levels comparable with the most successful national schemes. The marketing push would be timed in line with the revision of the scheme if other micro-options are chosen. The initial financial input would be in the order of € million per year for five years for professional promoting of the Ecolabel brand. During this time periodic assessment of the knowledge of the label would be made. At the end of the period a re-assessment of the need for direct marketing input would be made. This marketing push will be combined with the development of the new or modified logo, designed to be self-explanatory and to thus avoid confusion with other schemes.

micro-option xiii.

Peer review for Member States

(See Section 3.2.j)

In order to make the way the scheme is implemented in Member States more transparent, they should carry out mutual peer review visits and produce follow-up reports and recommendations for any changes that could help with the harmonised implementation of the scheme. This system would be comparable to the current peer review amongst accreditation bodies under the EMAS Regulation. Representatives from two or three Member States would visit another in order to get an understanding of the way applications by companies are assessed and compliance is monitored by them. Results would be discussed at Member State meetings.

micro-option xiv.

Provision of information by the EUEB on appropriate future minimum environmental standards for products

(See Section 3.2.k)

When considering Eco-label criteria, the EUEB gathers considerable information about products' environmental performance and market trends. Under this option, the EUEB would also use that information to provide recommendations on future mandatory minimum environmental performance requirements, in the same format as core Ecolabel criteria. They would also provide a recommendation on the timetable to which these minimum requirements should be implemented. These recommendations would be public and the Commission would consider these recommendations and make proposals for their implementation within the framework of an appropriate existing legal instrument.

SECTION 6: ANALYSIS OF IMPACTS

The Ecolabel will tend to produce two effects where used for any product group:

- a) an increase in sales of products that have better environmental performance (as a proportion of sales of that product group); and
- b) provide an incentive to some firms to innovate in their product design or production processes, so that they can gain the Ecolabel award in future for their product, together with the economic benefits that this may bring.

The first of these effects leads directly to environmental benefit. The second, through promoting innovation and dynamic improvement of resource use, brings both economic and environmental benefits. The extent of both effects will depend on the number of products using the Ecolabel and the success of the Ecolabel in increasing either the sales or the price premium of the products it is awarded to.

The extent of these effects is impossible to judge from the Ecolabel policy itself – the Ecolabel is only one of several EU policies that provides incentives for the uptake and design of environmentally better products. Many Member States also have national policies which promote greener products, whilst private policies, for example by large retailers or purchasers, will also have a great effect on the success of the Ecolabel.

The forthcoming Commission's Sustainable Consumption and Production Action Plan will examine how a range of product policy instruments can work together to more effectively provide dynamic incentives for eco-innovation in products and to increase the sales of better environmentally performing products. This Action Plan will look at how arrangements can be put in place to apply the optimum mix of policy instruments to particular product groups – to maximise the complementarity of the instruments as a whole. Just as a hypothetical example, to provide incentives for development of better environmentally performing [shampoos], policy instruments from Ecolabel, Green Public Procurement, a "top runner"/performance standard and fiscal incentives, might all work together effectively. The Ecolabel and the information about product performance and future sales generated to inform development of Ecolabel criteria could be a crucial part of that product package, but it would be difficult to attribute the environmental and economic impacts that resulted to the Ecolabel alone.

The costs of the Ecolabel scheme will also be dependent on the extent of its use and the co-ordination of the scheme's activities with other policy instruments. Enforcement activities in Member States, for example, to check the market for unauthorised eco-labels, are likely to be less expensive if co-ordinated with other market surveillance activities. The costs of the administrative activity, including information gathering, to set the criteria for the Ecolabel might also be shared with co-ordinated information and decision making in relation to the use of other product related policy instruments.

Bearing this in mind, and taking into account the need for proportionality in assessing the impacts of a voluntary instrument, this impact assessment will look mainly at the impacts of options on the potential of the Ecolabel, rather than try to estimate certain effects. For instance, a policy option that reduces administrative procedures may be certain to make application for the Ecolabel more appealing – and therefore will increase the potential of the Ecolabel to perform effectively. This impact assessment examines that effect on potential, but does not try to quantify the possible resulting economic, social or environmental effects for individual options.

However, it is possible to provide information that gives a perspective of the potential benefits of the Ecolabel scheme as a whole, in various situations:

Potential Direct Environmental Benefits

A study commissioned by DG Environment²² calculated the potential direct benefits that could be expected if the current product groups had a market take-up of 5%, 20% or 50% respectively. The amount saved was calculated as difference between the environmental performance of an eco-label product and that of an average product on the market times the number of products sold in each scenario:

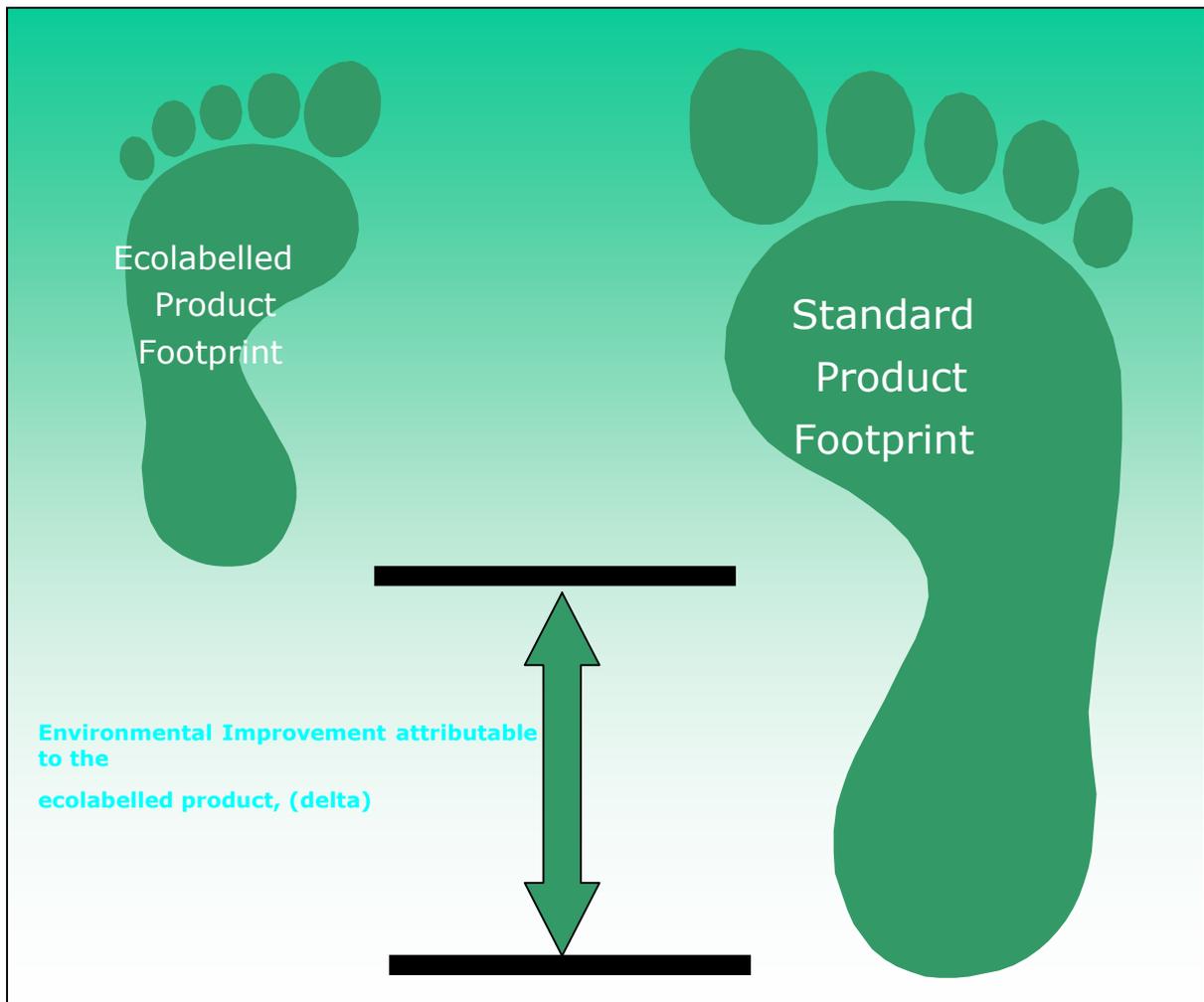
Resource saved /avoided per year	AMOUNT SAVED PER YEAR BY SCENARIO		
	%		
	5% Take-up	20% Take-up	50% Take-up
Electricity, GWh	14,700	59,000	147,600
CO ₂ produced from energy use, tonnes	9,318,000	37,270,000	93,175,000
Water Use ²³ , Megalitres	12,285,000	49,138,000	122,846,000
Reduced Hazardous Substance Use, tonnes	13,800	55,400	138,400
Material Savings (other than Hazardous Substances), tonnes	530,700	2,122,700	5,306,700
Reduced discharges to water, tonnes COD	30,400	121,700	304,200
Reduced Air Pollution, tonnes	17,500	70,100	175,300

Source: AEAT, "Final Report", November 2004, Report produced for DG Environment

Starting from the fact that criteria are set at levels that promote the labelling of products that have a low environmental impact and that the aim of the Ecolabel is to encourage improvements in the environmental performance of products during the whole life-cycle of the product it is assumed in the study that companies choosing to sign up to the Ecolabel may have to make some adjustments to their production behaviour, resulting in environmental benefits in terms of restrictions on certain polluting chemicals, improvements in recyclability, introduction of waste management systems, limits on chemical emissions, etc.

²² AEAT, "The Direct and Indirect Benefits of the European Ecolabel – Final Report", November 2004, A Final Report produced for DG Environment. It should be noted that this study was not peer reviewed.

²³ Water Use includes savings due to more efficient appliances and savings due to the reduced CDV value of ecolabelled detergents.



Source AEAT, "The Direct and Indirect Benefits of the European Ecolabel – Final Report", November 2004, A Final Report produced for DG Environment

Potential Indirect Benefits (Environmental and Economic)

On top of these direct environmental benefits the Direct and Indirect Benefits study, based on consultation with EUEB members, identified nine indirect impacts from the Ecolabel, looked at known instances, success stories and calculated their potential impact which could be expected by taking measures which would lead to replication of these examples²⁴.

1. The use of the Ecolabel criteria by another eco-label scheme. Criteria may be copied directly or used as a reference point before local adaptation.
2. The use of the Ecolabel criteria in public procurement calls for tender.
3. The use of the Ecolabel criteria in private procurement calls for tender.
4. The use of the Ecolabel criteria by companies as a benchmark for their own products or as a target to improve their environmental performance.
5. The use of the Ecolabel criteria to generate Type III labels (environmental product declarations), or recommendations on how to make green claims (Type II).

²⁴ For more detailed explanations of the assumption and methodology we have to refer to the study itself: http://ec.europa.eu/environment/ecolabel/pdf/market_study/benefitsfinalreport_1104.pdf

6. The use of the Ecolabel criteria and procedures/structures to generate minimum environmental requirements applicable to all products of a product category on the market.
7. The use of the Ecolabel criteria in the “new approach” as a basis for establishing whether companies have complied with “essential requirements”.
8. The use of the Ecolabel logo, Ecolabel criteria and related discussion, to raise stakeholder awareness of the environmental impact of products, with stakeholders including manufacturers retailers, consumers, environmental NGOs and public administrations.
9. The use of the Ecolabel and its criteria as a basis for establishing fiscal measures to promote green products, (e.g. criteria for energy rebate schemes)

Indirect Environmental Benefits of the Ecolabel within the EU25

Item	Amount saved per year
Money	€763 million
Energy saved	43 TWh
CO ₂ saved	27 million tonnes
Water saved ²⁵	35 Tera litres
Hazardous substances avoided	39 thousand tonnes
Materials saved	1.5 million tonnes
Reduced discharges to water	85 thousand tonnes COD ²⁶
Reduced air pollution	49 thousand tonnes

²⁵ Water Use includes savings due to more efficient appliances and the reduced CDV of ecolabelled detergents.

²⁶ Chemical Oxygen Demand

Indirect Environmental Benefits of the Ecolabel Outside the EU25²⁷

Item	Amount Saved per Year
Energy saved	2.9 TWh
CO2 saved	1.9 million tonnes
Water saved	2.5 Tera litres
Hazardous substances avoided	2.8 thousand tonnes
Materials saved	106 thousand tonnes
Reduced discharges to water	6 thousand tonnes COD ²⁸
Reduced air pollution	3.5 thousand tonnes

Economic Benefits

The indirect benefits above indicate some of the economic benefits that should result from a successful Ecolabel scheme – improvements in resource use, reductions in economic damage and reductions in damage to health (and therefore productivity and treatment costs) from pollution.

However, the greatest economic benefits are likely to come from the promotion of innovation in both process design and production techniques. Such innovation is very likely to reduce both resource use in production and increase efficiency – and therefore provide both direct and indirect benefits to the EU economy as successful technologies grow in niche markets, then spread more widely. All of this would increase international competitiveness, both of individual firms and the EU economy as a whole. The Ecolabel is often used by SMEs to develop their market share – one of the important breeding grounds for entrepreneurial activity and innovation that is particularly important to encourage. The benefits that may result from a successful Ecolabel are hard to quantify, either beforehand, or afterwards, but would be nevertheless real.

Innovation is likely where market demand will reward that innovation, through greater economic returns for the innovator. Most simply, where there is consumer demand for a product that is "greener" than the others, there is a market there for greener products. It can be seen as a differentiated product market. For producers to get, or retain a share of that product market, they will need to innovate - because the Ecolabel criteria will be revised over time to ensure that only the best products are awarded eco-labels. But if consumers cannot be sure which the greener products are - if they have no reliable information on that, the demand that creates that differentiated market will not arise and there will be no benefits from the eco-innovation.

²⁷ Considers the EU Ecolabel to influence the national schemes of Australia, Canada, New Zealand and the United States.

²⁸ Chemical Oxygen Demand

One good example of how the Ecolabel can drive innovation is that of the MicroPro Computer²⁹. To quote their own marketing: "MicroPro Computers introduces an environmentally-friendly PC, called Iameco, which is developed as a zero-waste personal computer. The company is striving to become the only PC maker in the world to earn the European Union's prestigious Ecolabel mark, for high-quality consumer products that meet the highest environmental standards".

There are also many examples of innovators seeking to use the Ecolabel as a reward for their innovation. One good example of this in practice is that of Boston Power batteries, who have just been awarded the Nordic Swan eco-label³⁰. The Swan was able to rapidly provide a reward for the company's innovative product. The company website says, in relation to the award: "It is an achievement that is well-deserved and also a testimony to their commitment to combine technical knowledge with environmental quality standards". It is by this type of link that the eco-labels can also help drive innovation.

By working with the market, the Ecolabel is designed to be used where it offers net economic benefits to enterprises – and it stands or falls on that criterion: if the scheme is not economically beneficial to a particular enterprise, it will not be taken up. Maximising the total economic benefit from the scheme is therefore one of its goals, and one of the goals of its revision.

As a whole, the Ecolabel is one of the instruments aimed at achieving the goals of the revised Strategy for Jobs and Growth (Lisbon Strategy). The Ecolabel policy contributes to 6 of the 10 Micro-economic guidelines of the Integrated Guidelines.³¹

- (7) To increase and improve investment in R&D, in particular by private business;
- (8) To facilitate all forms of innovation;
- (10) To strengthen the competitive advantages of its industrial base;
- (11) To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth;
- (14) To create a more competitive business environment and encourage private initiative through better regulation;
- (15) To promote a more entrepreneurial culture and create a supportive environment for SMEs.

Administrative Costs

The Ecolabel scheme requires some procedures to work effectively and these inevitably involve some administrative activity by both enterprises applying for, or using eco-labels, and for the Commission, national authorities and the organisations involved in decision making on Ecolabel criteria.

For any enterprise applying to the scheme, the administrative costs of the application must be smaller than the economic benefit that enterprise expects to receive from applying for an eco-label. The lower these administrative costs are, the more attractive the scheme becomes for potential applications and the greater its success is likely to be.

²⁹ http://greentechnolog.com/2006/11/zero_waste_computing.html

³⁰ <http://www.boston-power.com/>

³¹ Integrated Guidelines for Growth and Jobs (2005-2008) , European Commission, 2005

Whilst it is not possible, for the reasons stated above to quantify the total administrative costs associated with the voluntary scheme, it is possible to look at the impact of options on the administrative costs of individual procedures.

Social impacts

Given that criteria also include aspects related to human health, this can be considered as a positive social impact, but apart from this, no other relevant social impacts are expected. The positive impact on health is underlined by a BEUC (Bureau Européen des Unions de Consommateurs) study which concludes : *"The Ecolabel was originally conceived to reward products having a reduced environmental impact. Studying what the Ecolabel criteria say about the content of hazardous chemicals in the final products allows an additional important dimension to be included: health."*³²

Assessment of the Impacts of Options

The better the Ecolabel scheme is designed and implemented the higher the probability that these potential benefits become real and that the policy objectives described in section 4 are achieved. Keeping this in mind, the aim of the following assessment of the different options is to identify the impacts of different macro and micro options on the potential of the Ecolabel scheme.

³²

See: http://ec.europa.eu/environment/ecolabel/pdf/studies/beucstudy2004_en.pdf

Macro-option 1 – Continue with the present approach. i.e. Business as usual

The analysis of the impact of this option can be made by analysing the impact of the current scheme. Fundamentally, if no action is taken then the scheme can be expected to continue to operate as it has done up until now. It would continue to grow steadily but very modestly with some small environmental economic and social benefits, but with a number of barriers to its development.

The EVER study³³ outlines the main plus and minus points about the current scheme, that can be summarised as follows:

On the one hand:

- Low awareness;
- Insufficient product group categories;
- Low up-take by industry;
- Procedural and organisational problems – i.e. bureaucracy;
- Costs for participating companies;
- Lack of perceived public purchasing benefits.

On the other hand:

- Around three quarters of users think that the EU Ecolabel has contributed to setting targets for the improvement of product environmental performance;
- A large majority also say that the Ecolabel influenced the demand on their suppliers concerning the environmental performance;
- Almost all of the companies participating in the EU scheme use the Ecolabel in their marketing campaigns;
- More than half of the non-Ecolabel participants declare they use the Ecolabel criteria as benchmarks to for the environmental performance of their products;
- Neither users nor non-users of the Ecolabel want to see the label abolished;
- National labels are not preferred over the EU Ecolabel.

Continuing with business as usual would mean that the positive effects in environmental, economic and social terms would remain.

The EVER project questioned actual participants of the EU Flower as to their opinion of the label's influence on environmental performance and found that: "*Nearly 2/3 of the participants indicated that the objective to improve environmental performance was very or fairly important for their application for the Flower. (...)About every second interviewee indicated that the Flower had some effect on the environmental performance of the product in the areas of air and water emissions, waster/recycling and water/material use; improvements with regard to accidents/spills were rare and for noise/smell observed by 1/4 of interviewees*".

In addition, there is anecdotal evidence from the practice of Ecolabel implementation that companies – maybe not all – actually have to do some effort in improving the environmental

³³ For more details see EVER study see: http://ec.europa.eu/environment/ecolabel/revision_en.htm

performance of their products or services. A statement from Hilton Hotel Malta can serve as an example: *“The accomplishment of this task is by no means an easy exercise. It is, in fact, time consuming but certainly an interesting, interactive learning experience. To start with, we set a target date, and used a textbook approach to deal with the criteria. It is the continued implementation and refinement that is most challenging for the company. Investing in such ongoing actions creates short-term costs in setting up the systems but is rewarded with long-term benefits”*.³⁴

Apart from improving the product or service itself, there is a second aspect which has to be considered in this respect: the increased sales of eco-labelled products. According to the EVER study, 53% of the interviewed companies experienced an increase in the market share or in the number of new customers thanks to the adoption of the EU Ecolabel³⁵.

However, with such a low uptake overall of the scheme such environmental benefits are limited mainly because of the persistence of the problems described in section 3: consumers would largely remain unaware of the label, business interest in the label would remain limited, the number of product groups would grow at a very slow pace, if at all, criteria documents often could not be revised in due time, development of new or revision of existing product groups would continue to take too long (some 3 to 4 years) wasting scarce resources of all the parties involved, the fee would remain complicated and inflexible, stakeholders would not feel to have real ownership of the scheme, purchasing officers would continue to show little interest in the label, the Ecolabel could not be considered for food products, etc.

In terms of the objectives of success outlined in Section 4, we might therefore expect the following results by 2017 if we extrapolate from the last ten years:

- 10-20 % of population that know the Ecolabel and its meaning within ten years.
- 10-20 % of companies that know the Ecolabel within ten years.
- Reasonably rated in terms of credibility when compared with other environmental labels.
- 30 product groups; 600 participating companies; €1.5 annual sales volume of Ecolabelled goods.
- Ecolabel little used by public purchasers monitored.
- Few, if any, policies that can be attributed to having used the Ecolabel product information work.
- Limited number of Ecolabel criteria adopted by other labelling schemes.

Macro-option 2 – Gradually phase out the scheme

Phasing out the scheme could lead to some benefits but would mean losing the positive impacts analysed for the current scheme – see above – and the potential for further developing these benefits. The EVER study highlights the main motivations for shutting down the scheme as the lack of success of the current scheme and the fact that Member States already have their own national schemes. Phasing out the Ecolabel scheme would free up resources associated with the Ecolabel for use on other initiatives.

At the same time the EVER study points out the potential impacts of the shutting down the scheme as a lost opportunity to improve it and to gain the potential benefits that it has to offer.

³⁴ Source: Flower News, July 2006: http://ec.europa.eu/environment/ecolabel/news/index_en.htm

³⁵ http://ec.europa.eu/environment/ecolabel/revision_en.htm : Report 2, p. 118

The study looks at the views of the industry, both participating in, and not participating in, the Ecolabel scheme, and their views as to the Ecolabel versus national labels³⁶ – the study states: *"when asked, over 70% of the interviewed stakeholders do not recommend a national rather than a European label. While some believe more in an EU Ecolabel in the long run, others see them as supplementary"*. Overall, the study concludes: *"(...) harmonisation is seen as being the only effective solution to be pursued. There is very little support for the options of abolishing either the EU Eco-label or the national labels"*.

Importantly, no Member States have expressed a desire to abolish the Ecolabel, but rather to improve the scheme, which suffers from some very obvious problems. In those Member States where there is no national scheme the potential of the EU Ecolabel is seen as important because, without it, they would have no similar third-party labelling scheme. The UK for example considers the existence of the EU Ecolabel scheme the reason that they have not developed their own scheme. If the EU Ecolabel were phased out, it seems likely, therefore, that in time national labelling schemes would evolve in most Member States. What is clear from looking at the different national schemes currently in place is that the schemes in the different Member States would be very different. So for companies marketing their "green" products throughout the single market they would need to meet the different criteria and different assessment and verification procedures for all schemes. It is for this reason that companies who support the idea of ISO type I labelling schemes, support the idea of harmonised EU criteria.

The only cases of harmonised criteria so far are those cases where national schemes have voluntarily taken on Ecolabel criteria word for word – some examples being those of the Austrian Ecolabel which has taken on criteria for light bulbs and cleaner or that³⁷ of the Nordic Swan which has taken on the EU criteria for Indoor Paints and Varnishes in their entirety³⁸. They then offer applicants a discount:

"Since the criteria are identical to the EU ecolabelling criteria, a producer may, if he so wishes, apply concurrently for both Swan and EU-Flower ecolabels and thus gain permission to use both labels."

"Applications for both the Swan and EU Flower ecolabels for a single product are entitled to a discount. Please contact Nordic Ecolabelling in your country for further information."

The potential to develop these types of synergies between national labelling schemes and give and level playing field for companies operating in Member States with and without national schemes would be lost if the Ecolabel were to be phased out. It is therefore one of the most important features of the EU Ecolabel in comparison to other labels that it is EU-wide. It offers companies the opportunity to have one single label for all of the Internal Market, instead of having to apply in a number of different countries for different labels (with different procedures, different criteria, different logos, etc.).

Equally, for consumers it is much easier in an Internal Market to be able to rely on one major label which is used everywhere. Moreover, there is the potential for considerable cost savings if one scheme is used instead of every country having to develop its own scheme.

On top of this, those companies which have already invested in the Ecolabel would not get any further benefit and would have to consider their investments as wasted to a large extent. There are also a number of product group specific eco-labels developed by industry

³⁶ http://ec.europa.eu/environment/ecolabel/revision_en.htm - see report on research findings, p.100-104

³⁷ <http://www.umweltzeichen.at/filemanager/list/15672/>

³⁸ <http://www.svanen.nu/DocEng/096e.pdf>

associations or groups of NGOs. These schemes vary widely, ranging from labels based on environmental management systems (for example the A.I.S.E. Sustainable Cleaning Scheme³⁹) to single issue specific labels (like the Forest Stewardship Council label⁴⁰). A balanced participation of different interest groups – crucial for the credibility of a scheme – seems to be difficult to guarantee without clear external rules. No other label currently serves the same purpose as the EU Ecolabel which aims to set the benchmarks across product groups and throughout the life-cycle of those products across the EU. Phasing out of the scheme would mean the potential benchmarking tool, setting out "what makes a good scheme" would be lost. It is likely that, due to increasing consumer demand for information, many more product group specific labels would be developed, often Member State by Member State. Consumer confusion at the basis for the different labels would increase.

The EU Ecolabel is intended to add value, not add "another label" – the potential of the scheme will help achieve this, with better measures on harmonisation and more industry involvement. This is explored in the next Macro-option.

Macro-option 3 – Modify the scheme

A number of micro-options are presented in Section 5, each of which may have its own environmental, economic and social impacts. The impacts of each of these micro-options is considered in turn and then the overall impact of selecting the best package of modifications is considered for the purposes of going on to choose the best macro options in Section 7.

Impacts of the micro-options:

micro-option i.

Introduce fiscal incentives for the eco-labelled products and services:

Pros: Tax breaks (e.g. a reduced VAT rate) would enable producers to lower prices for eco-labelled products, or to increase their profit margins with the price kept constant, or for retailers to apply a larger mark-up whilst keeping the price constant – which is likely to lead them to take steps to increase sales, which would offset the costs involved in getting the label (cost for adjustments of the product, for testing, for fees, etc.). Through such a comparative advantage, the Ecolabel would become more attractive to companies which would lead to more licence holders and labelled products on the market.

Cons: The increased economic advantage from the tax break attaching to the award of eco-labels could also lead to much more difficult negotiations in the criteria development process. Intensified lobbying is to be expected which will slow the process and eventually could cause deadlocks in negotiations. The idea of a tax break for eco-labelled products was already discussed in the framework of the Commission's Communication on Integrated Product Policy⁴¹ in 2003 where most Member States were not in favour.

Option accepted/rejected: **Rejected**. Although enjoying such an impressive support amongst respondents to the internet consultation as well amongst interviewees in the EVER study (in the internet consultation, more than 67 % were in favour of fiscal measures and 76 % of the interviewees in the EVER study considered it fairly or very important), fiscal measures are considered beyond the scope of the Ecolabel Regulation at this time. Nevertheless, the Regulation could encourage Member States to consider fiscal incentives at MS level where

³⁹ <http://www.sustainable-cleaning.com/>

⁴⁰ <http://www.fsc.org/en/>

⁴¹ Communication from the Commission to the Council and the European Parliament, COM (2003) 302 final

appropriate and foresee collection and dissemination of best practice examples in this field. In cases where tax differentials are granted on the basis of environmental considerations this should be clearly communicated to the consumer. Fiscal incentives at Community level will be considered in the wider policy framework of the SCP Action Plan.

micro-option ii.

Open up the scope of the label

Pros: This will allow developing criteria for product groups with the greatest environmental impact (according to the EIPRO study) such as food where "carbon labelling" schemes for food products are now being developed by large retailers and other organisations but there is no mechanism in place to offer any form of EU standardisation. Opening the scope would allow identifying the areas with the greatest environmental foot print and setting criteria in line with the aims of the scheme.

Cons: None

Option accepted/rejected: **Accepted**. Making good decisions on which product groups to develop ecolabels can be built into the Regulation without having to specifically rule out certain groups directly in the Regulation

micro-option iii.

Introduce measures to encourage harmonisation with other ecolabelling schemes:

- (a) EU Ecolabel criteria as a standard for other ecolabels;
- (b) Accreditation of national/regional ISO type 1 schemes to use the Flower;
- (c) Eventually ban national labels from operating when Ecolabel criteria exist;
- (d) Fast track procedure to adopt criteria developed by national/regional ISO type schemes.

Pros: The Ecolabel will set the standard for environmental product criteria in the EU, while at the same time giving companies a wider choice of product groups for which they could use the EU Ecolabel. With one procedure they can get the EU label and a national label if they wish to do so – without any additional cost. They can use the national label where this is better known than the EU label (home market) and the EU label for exports to markets where the national label is not known.

Cons: Competition between labels can encourage them to increase their environmental stringency to prove they are "the best", which can help keep standards high – this may be lost if the one label becomes the only label setting the standards on the market.

Option accepted/rejected: **(a + d) accepted, (b + c) rejected**. These measures will be better for businesses, who can use the EU Ecolabel for EU marketing and better for consumers, who will find more Ecolabel products on the shelves. The "fast track" adoption of criteria from other schemes will allow other schemes to operate at the national level, while at the same time increasing the number of product groups for the EU label.

Banning other ecolabelling schemes is likely to reduce the total benefits from eco-labelling schemes in Europe. National labelling schemes have, in some cases, been much more successful than the Ecolabel scheme, as they meet the specific needs of the Member States in which they operate. Accreditation of national schemes as a whole to use the Flower would involve assessing the overall credibility of these schemes, an exercise which is likely to be much more complex and politically sensitive than allowing a fast track adoption of individual criteria documents developed by other schemes.

The accepted options were the most strongly supported by respondents to the internet consultation. On the rejected options serious concerns were raised by representatives of some national labelling schemes.

micro-option iv.

Introduce a new standard for making green claims in Europe

Pros: Consumers will be able to rely on green claims made on products. There will be a level playing field for industry, preventing misleading green claims and offering a clear benchmark for good environmental performance of products. This may avoid unwarranted green claims for products, which would damage the market for greener products as a whole.

Cons: The standard will only be available for product groups for which core criteria have been adopted. This measure could discourage some companies, not wishing to see a standard for green claims from taking part. (Although the opposite may also be true in some cases, as companies want to be involved in the process to give their voice to the resulting criteria.)

Option accepted/rejected: **Rejected**. While this option is strongly supported by internet consultation respondents and would ensure that green claims be made based on sound and stringent environmental criteria which would help the Ecolabel reach its aim of providing the benchmark for the environmental performance of products, and would encourage companies already meeting the core criteria to improve further their performance to apply for the Ecolabel, it is considered beyond the scope of the Ecolabel Regulation as it would considerably change the voluntary nature of this instrument. It is suggested that the issue of green claims be considered in the wider framework of sustainable consumption and production.

micro-option v.

More direct stakeholder involvement

Pros: An option is strongly supported in the internet consultation that would see stakeholders better involved and perhaps more committed to the scheme. The process of decision making will be shortened compared to the current system by up to two years. The system will be able to adapt to change and the Ecolabel 'brand' will be able to operate in a more business-like way leading to increased interest in the scheme, more licences and bigger environmental and economic impacts.

Cons: The challenge will be to find a well balanced composition of the stakeholder body. Additionally there is a risk that some Member States, with reduced direct power over Ecolabel criteria decisions, will lose interest in the scheme and will decrease the resources allocated to it. Furthermore, if the revised Ecolabel does not share the same decision making procedures as other SCP policies under Ecodesign, i.e. Commission Decision, it will be make harmonisation of criteria and test methods for different policies more difficult.

Option accepted/rejected: **Rejected**. Bureaucracy is a problem for the Ecolabel and must be tackled but moving away from Commission Decision, while it might help the 'branding' of the label, would essentially take away the 'EU' aspect of the label, which is a major part of its unique appeal and usefulness. The label needs to be integrated with other policies, and keeping Commission Decision, which is the same decision making procedure for Ecodesign, will allow this to happen more smoothly. Stakeholder involvement should be enhanced by ensuring that the criteria development process openly and transparently takes into account their views, and that transparency is given as to why any input made has been accepted or rejected during the process. At the same time bureaucracy surrounding the criteria development process should be focused on, along with other aspects of the way the label

operates, such as for assessment and verification procedures. These issues then are dealt with in other micro-options.

micro-option vi.

More product groups / quicker criteria development-

Pros: The scheme will be much more efficient and flexible, therefore allowing to adapt easily to changing needs and to adopt changes to criteria which become necessary as a result of the experience in implementing them in practice. Synergies with other instruments as well as relevant work carried out elsewhere can be used. Improved criteria documents following a common structure will be easier to understand and implement for companies. Consumers and policy makers will also find criteria documents easier to digest, thus allowing the Ecolabel to better act as an education and information tool.

Cons: Developing more product groups may bear the risk that some stakeholders or Member States will not have the resources to follow criteria development for every product group, unless they increase their resources.

Option accepted/rejected: **Accepted**. Linked to the previous micro-option, this option is about using common sense to ensure the scheme is run efficiently and to allow interested stakeholders to help with the development of criteria. Quality control of criteria would need to be enshrined in the develop guidelines for them. This option was very strongly supported in the internet consultation.

micro-option vii.

Incorporate guidance for Green Public Purchasing into criteria development

Pros: The Ecolabel scheme will deliver harmonised environmental criteria for public purchasing which can easily be introduced into technical specifications. The Ecolabel will be a reliable instrument for checking a product against specifications. Environmental benefits could be high as companies move to meet the basic GPP criteria. Again, this was strongly supported by respondents to the internet consultation.

Cons: None.

Option accepted/rejected: **Accepted**. This should have been incorporated since the beginning of the operation of the Ecolabel scheme.

micro-option viii.

Change of rules for public procurement to favour the EU Ecolabel

Pros: Making it mandatory to include Ecolabel criteria into calls for tender or simply to request Ecolabelled products would give a strong boost to the Ecolabel and would reward companies with environmentally improved products. The number of Ecolabel licences could be expected to increase strongly, as would the associated environmental benefits as the incentive for going for the Ecolabel would be significantly increased.

Cons: As with tax breaks, this strong incentive changes, to an extent, the nature of the scheme as "voluntary" and the idea of moving away from "command and control" type legislation.

Option accepted/rejected: **Rejected**. The EVER study found that green procurement (both public and private) has been judged as crucial for stimulating eco-labelling performance and more than 61 % of the respondents to the internet consultation agreed or strongly agreed that it should be mandatory for Member States to use Ecolabel criteria (or equivalent) where possible in calls for tenders. While it is clear that this revision of the Ecolabel Regulation has to ensure that the Ecolabel scheme is attractive for public purchasers and that Ecolabel criteria

are as easy to use for this purpose as possible, a change of the public procurement legislation is beyond the scope of the Ecolabel Regulation. The issue of how to foster green public procurement is currently being addressed by the Commission in the framework of the preparation of a communication on green public procurement.

micro-option ix.

Simplification of the fee structure

Sub-option a: Simplified fee structure.

Sub-option b: No fees.

Pros: According to the EVER study, cost is seen as the highest barrier for potential applicants. Therefore, an increase in applications can be expected. Sub-option b – no fees – would also mean reduced bureaucracy as no calculation and administration of fees are necessary.

This sort of financial incentive for the using the Ecolabel is much easier to administer than a reduced VAT rate or any other kind fiscal incentive.

Cons: This would mean a loss of income for competent bodies.

Option accepted/rejected: **Sub-option b accepted.** No annual fee for the Ecolabel will send a clear message that companies meeting the Ecolabel criteria will benefit from doing so and will not be penalised. It will be of biggest benefit to SMEs who find the fee as a significant barrier and will effectively offer a financial incentive for using the Ecolabel. A small fee, to deal with the direct costs of dealing with applications, will be maintained.

micro-option x.

Abolish third-party verification

Pros: Companies would be able to use the Ecolabel immediately after the publication of the criteria with no upfront paperwork or bureaucracy required. Administrative costs would be lower and uptake of the label would increase. This option would also mean that the Ecolabel verification system would be the same as for the Energy label and the planned Eco-design for Energy Using products directive.

Cons: Companies would have to prepare the same documentation in order to prove that their products meet the criteria and they would have to respond to spot checks by Competent Bodies at any moment. Nevertheless, many say that the credibility of the scheme depends on a third-party verification and giving up this crucial element would mean losing support for the scheme by consumer and environmental groups.

Option accepted/rejected: **Partly Accepted.** A radical simplification of the assessment and verification of the scheme is proposed which would move away from full third-party verification, but would maintain the requirement to sign an agreement with a competent body, declaring accordance with the criteria. (As is, in fact, the case for a majority of individual Ecolabel criteria already.) This revised system will be linked to ensuring that the criteria themselves are simpler, more focused, and easier in terms of on the spot verification.

micro-option xi.

Accredit bodies outside the EU to deal with Ecolabel applications

Pros: Companies located outside the EU will have easier access to the Ecolabel which may be particularly interesting for services such as tourist accommodation or campsites. This may lead to an increase in numbers of licences and a better dissemination of the scheme at the global level. The Ecolabel, already covering more countries than any other similar label, will become global.

Cons: Meticulous assessment of the suitability and reliability of external accreditation bodies will be required to ensure the credibility of the Ecolabel is maintained – this will be time consuming and, although some of the costs will have to be met by the body wishing to be accredited, it will still mean the use of administrative resources by the Commission.

Option accepted/rejected: **Rejected**. Ensuring credibility appears to be too resource intensive. Instead of fully accrediting bodies outside the EU, it is suggested that Member States' Competent Bodies can cooperate with bodies outside the EU in order to facilitate applications from third countries.

Micro-option xii.

Boost marketing

Pros: A considerably increased marketing budget would allow for professional promotion of the Ecolabel, thus increasing knowledge of it and what it stands for. In combination with the other measures described above the label will become more attractive for companies, which will lead to more Ecolabelled products on the market, which, in turn, will lead to a higher demand from consumers due to the increased knowledge. The more money that is invested, the higher the value of the brand for companies will become, as consumer knowledge increases – this will in turn lead to more applications and greater environmental benefits coming from the scheme.

Cons: Marketing investment is a risk. If the scheme is not successful, then the money will have been wasted.

Option accepted/rejected: **Accepted**. Without marketing investment the scheme will never take off. The key will be to monitor the indicators of success to ensure that any investment is achieving the required results. If it is not then the money should be withdrawn.

micro-option xiii.

Peer review for Member States

Pros: The way the Regulation is implemented in MS, especially concerning assessment of applications and monitoring of compliance, would become more transparent and harmonised in order to ensure a level playing field for companies across the EU.

Cons: The system will require periodic missions between Member States to review the operations of others and this will require resources.

Option accepted/rejected: **Accepted**. Ensuring a level playing field is in the overall interest of the Internal Market and of the credibility of the scheme. The micro-option will also allow different member States to share best practices, learning from each other to improve their operations – this will mean the scheme is better implemented and run overall.

micro-option xiv.

Provision of information by the EUEB on appropriate future minimum environmental standards for products

Pros:

- This key impact of this option is the provision of additional information by the EUEB – which provides the potential and stimulus for better policy outcomes.
- The benefit of the information provided by the EUEB is likely to be high as the criteria development process for the EU Ecolabel follows clear guidelines including rules on

stakeholder involvement and transparency. The expertise of the ecolabel community and the studies carried out for the Ecolabel could be used for other policy instruments.

- The provision of recommendations for minimum standards which are consistent with Ecolabel is efficient as it makes use of existing work and avoids a confusion of standards for stakeholders – particularly manufacturers.
- By publicly providing indications of future standards in advance – and through discussions of those in the EUEB stakeholder process – manufacturers have a clear indication of potential future requirements, giving both clarity and incentives to facilitate improvements in the environmental performance of their poorly performing products.
- This would lead to both reductions in environmental harm and reduced unfair competition for Eco-label products, which should provide greater incentives for innovation to further reduce the impacts of products.
- The decision making process triggered by the Eco-label process should ensure that standards are only in cases (or at levels, or to timescales) which lead to environmental gain that outweighs costs from changing product performance.

Cons:

- The extent of any benefit coming from this measure depends to a large extent on the resulting policy decision. Minimum standards may end up being set which do not significantly change manufacturers performance and therefore do not tackle the problem – which would continue to hinder improvements in the environmental performance of products, including those with Eco-labels.
- Through this approach development of mandatory performance standards would be limited to product groups for which Ecolabel criteria have been developed.

Option accepted/rejected: **Accepted.** The option should allow greater effectiveness of the Eco-label at improving product performance, with a mechanism that should ensure action is taken only when beneficial.

SECTION 7: COMPARISON OF OPTIONS

It is clear from Section 6 that macro-option 3 "Modify the scheme" is the only approach to ensure that the objectives from Section 4 can be achieved. For the sake of readability the micro-options under macro-option 3 have been accepted or rejected in Section 6. In summary, the following package of measures is proposed:

Accepted:

- Design Regulation to better fit into the other sustainable production and consumption actions of the Commission;
- Open up the scope of the label;
- Introduce measures to encourage harmonisation with other eco-labelling schemes: EU Ecolabel criteria as a standard for other eco-labels, fast track procedure to adopt criteria developed by national/regional ISO type schemes;
- More product groups / quicker criteria development / Introduce a template for criteria documents to ensure they are more user friendly;
- Incorporate guidance for Green Public Purchasing into criteria development;
- Abolition of annual fees;
- Simplification of assessment and verification;
- Boost Marketing;
- Peer review for Competent Bodies;
- Make recommendations for mandatory environmental performance standards for products.

Rejected:

- Introduce a new standard for making green claims in Europe;
- Change of rules for public procurement to favour the EU Ecolabel;
- Introduce measures to encourage harmonisation with other ecolabelling schemes: accreditation of national/regional ISO type 1 schemes to use the Flower; eventually ban national labels from operating when Ecolabel criteria exist;
- Introduce fiscal incentives for the ecolabelled products and services;
- Accredite bodies outside the EU to deal with Ecolabel Applications.

SECTION 8: ADMINISTRATIVE COSTS

As explained in Section 6, it is not possible to quantify the total administrative costs, including costs to public authorities of administering the scheme, because we are dealing with a voluntary instrument where costs to a large extent depend on the uptake by industry and the associated costs of market surveillance of the conformity of those using the label.

It is also possible to look at the impact of the selected micro-options on the administrative costs of individual procedures. It also needs to be emphasised that according to the strict Commission definition of administrative costs, the Ecolabel Regulation does not impose any administrative costs on companies because it is a voluntary scheme where companies are free or not to participate.

Design Regulation to better fit into the other sustainable production and consumption actions of the Commission will mean that synergies between different product related policy instruments can be enhanced and therefore mean that there is a harmonisation of the framework in which criteria are presented. This will reduce the administrative burden on companies. Consider for example if we have mandatory minimum criteria (under the Energy using Products directive) for televisions and at the same time Ecolabel criteria for televisions. If the criteria are harmonised between the two policies it will mean fewer assessment and verification requirements for a company wishing to comply with both schemes. So compliance with the requirements of the different instruments is made simpler for companies, therefore reducing the overall costs for them. The detailed costs per company of applying for the Ecolabel cannot be precisely specified as product groups vary significantly, as does how much additional work a given company has to undertake to meet the criteria. However, in very general terms the costs of tests associated with applying for the Ecolabel might range from around €1,000 - €10,000. To calculate what the savings might be from having better synergies with other environmental policies, we need to look at the overlap of criteria that these policies can have with the Ecolabel. For example, the Energy Using Products directive will specify between one and three criteria on the environmental performance of products, focusing on energy use, whereas the Ecolabel might look at five to ten criteria covering the life-cycle of the product in more detail. If at least the three EUP criteria, and their associated assessment and verification basis, are harmonised with the matching criteria in the Ecolabel then any testing requirements can be harmonised – thus reducing administrative burden. The same could be true for recommended best Green Public Purchasing requirements. Considering these likely overlaps in criteria might range from 20-30% savings from better synergies of the criteria might be expected to be similar.

Introducing measures to encourage harmonisation with other ecolabelling schemes: For companies wishing to apply for more than one ecolabel, harmonising measures can only reduce their administrative burden. Costs of tests could be reduced by 100% if one label is already held as no additional testing or verification would be required. This reduced financial burden may be particularly interesting for small and medium sized enterprises.

More product groups / quicker criteria development: Simplified procedure for criteria development would reduce costs for all parties involved (less meetings to attend) but development of more product groups clearly has an associated cost. From the AEAT study an estimate for criteria development is as follows:

- *Two people working full-time for 2.5 months each on developing criteria, i.e. 2 x 50 man-days = 100 man-days (this effort may be spread over 18 months or so).*
- *Three AHWGs, each a day long, attended by 25 people on average, thus 75 man-days.*

- *Therefore 175 man-days in total, or approximately half a man-year.*
- *It has been estimated that this half man-year equates to €25,000 on average to develop an eco-label for a product group from start to completion (excludes overheads, travel, and subsistence costs that may add 100% to this figure).*
- *Calculations for known examples of where EU criteria have been adopted or used as the basis for national eco-labels have then been performed by multiplying the number of product groups used by a national scheme by the €25,000 saving, similarly for the time saving.*
- *For the technical potential the calculation was performed on the number of national labelling schemes in operation within the EU, assuming each one on average will use the Ecolabel criteria for one product group.⁴²*

This estimate of €25,000 per product group is roughly in line with the budget the Commission currently provides for Ecolabel criteria development, although it should be noted that costs vary hugely depending on the scale, complexity and scope of the product group in question. The work that has previously been done in that sector and the availability of data will also change the costs of development. (The Life Cycle Analysis budget for Energy Using Products for domestic lighting, for example, is around €300,000). One of the aspects of the option "modify the scheme" will be allowing work that has already been done by others to be used more easily by the Ecolabel – for example by Member States' national labels, by the Global Ecolabelling Network or in the context of other Commission work such as that of the Energy Using Products Directive or new Sustainable Consumption and Production Action Plan. This will save time and money because developing Ecolabel criteria in isolation will be avoided.

This impact assessment cannot state exactly which product groups will be chosen for development over the coming years, however, it will be specified that priority for Ecolabel criteria development would be for those product groups with the highest environmental impact. A basis of this could be the EIPRO study, which highlights some sixty product groups as accounting for the vast majority of environmental production and consumption impacts. The overall cost of development will depend on: exactly how many product groups are developed each year; the nature of each product group in question; what other work has already taken place and what on-going work is underway elsewhere. The more money that is allocated by the Commission and Member States, the more product groups can be developed. Currently the Commission spends around €150,000 per year on criteria development and revision, which gives one or two new product groups per year, and revisions for another two or three. With more efficient development and revision processes, and by revising the Regulation to allow for better co-operation with other instruments, this number could be doubled at no extra cost, although over time, with more product groups, the administrative costs may increase. (One desk officer would be required for each additional ten product groups.)

Introduce a template for criteria documents to ensure they are more user-friendly: Making criteria documents standardised and more user-friendly will mean reduced administrative burden for companies and purchasing bodies using criteria for technical specifications.

Incorporate guidance for Green Public Purchasing into criteria development: As already indicated in the previous point, procurement officers will have easier access to EU-wide harmonised criteria and companies will have a level playing field if the same criteria are used across Europe in technical specifications for contracts. Member States will also save money

⁴² http://ec.europa.eu/environment/ecolabel/pdf/market_study/benefitsfinalreport_1104.pdf: page 54

because the same criteria can be used for eco-labelling and public purchasing (see above "fit into the upcoming SCP Action Plan").

Abolition of annual fees: The current direct income for competent bodies from fees is around €million per year in EU 27. This direct income will be lost if fees are abolished, however the administrative burden will be reduced for companies. The administrative savings could be around half a man-day per year for a company per year, along with the benefit of not having to pay an annual fee. For Member States, the administrative burden of operating the scheme will remain the same as the work required to undertake assessment and verification in the current scheme will be equal to the work required to administer and undertake market surveillance under the new proposals. Simpler criteria should, however, help to reduce the administration required.

Peer review for Member States: Depending on the number of reviews per year (3 to 4) and assuming 4 to 5 working days for the team per visit, with 3 team members and one person from the reviewed Member State this measure would mean on average approx. 3 or 4 working days per Member State per year. This work should be offset by better, harmonised working practices that result that will reduce the need for interventions to correct poor implementation of the scheme by the Commission at a later date.

Boosting marketing: In this impact assessment a figure of up to €5 million per year for five years for professional promoting of the Ecolabel brand is proposed. For companies a marketing campaign of this magnitude paid for by the Commission and Member States would increase the value of the Ecolabel brand and help to improve sales of eco-labelled products and might reduce the need for them to conduct their own marketing campaigns. Overall more companies would mean higher income from fees, so in the long term spending on a campaign could be recouped. To what extent would depend on the uptake of the label.

SECTION 9: MONITORING AND EVALUATION

Several measures will allow the monitoring and implementation of the scheme and to evaluate the success of the Ecolabel Regulation:

- The Commission will continue using the Eurobarometer surveys to get data on public awareness of and trust in the Ecolabel.
- The service contract for the collection of statistical information on Green Public Procurement which is currently being prepared by the Commission includes reference to EU-wide Ecolabel criteria. This work will provide input on the use and uptake of Ecolabel criteria by public purchasers.
- The annual statistics exercise will continue as before: Competent Bodies are asked to provide information on the volume of sales of Eco-labelled products, the number of Eco-labelled products, the fees received from licence holders and the resources (staff and money) dedicated to the scheme.
- On a continuous basis, the Competent Bodies will report any new licences to the Commission, which will continue to publish them on the internet in the so-called green store (www.eco-label.com).
- The regular meetings with Member States and stakeholders will also continue to be a source of information on the implementation of the scheme.
- The proposed new peer review mechanism described in micro-option xv , aimed at ensuring and monitoring a harmonised implementation of the Ecolabel Regulation will make the way the different Member States deal with issues of how licence holders are dealt with more transparent.

Furthermore, the draft proposal will contain a review clause along the lines of the one in the existing Regulation:

"Within five years after its entry into force, the Commission will review the scheme in the light of the experience gained during its operation. The Commission shall propose any appropriate amendments to this Regulation."

SECTION 10: CONCLUSION

The Ecolabel scheme has potential, particularly as part of a coherent package of measures, but is over-bureaucratic and isolated from other policies. Rather than giving up on it, it should be overhauled and given another chance. It is very important, however, to continue to monitor the progress of the Ecolabel against those objectives.

This impact assessment builds on experience from operation of the Ecolabel scheme and extensive consultation with parties involved in the Ecolabel scheme, including users. It follows a detailed external evaluation of the scheme – the EVER study – and uses the evidence produced by that study. As a result of the analysis, we recommend a number of separate changes to the operation of the Ecolabel scheme that can be put into effect through changes to the Ecolabel Regulation. These changes will lead to an increase in the potential of the scheme to effectively achieve its objectives.

It can be expected that this modification and simplification of the scheme will lead, on the one hand to a considerable increase in companies using the label, therefore also to an increase in Ecolabelled products on the market and, on the other hand, to an increase in the number of consumers that know about and are prepared to buy eco-labelled products as well as to an increase in the use of Ecolabel criteria in public procurement, specifically over and above the number of licences, companies involved and overall environmental benefits that would be achieved if the scheme was left as it is. More details can be seen in the EVER study.

Future sustainable production and consumption policy in the Commission will put in place a coherent package of policy instruments that provide incentive for improvement in the environmental performance of products. It will build-on and reinforce various existing policy instruments also adding a number of new environmental policy initiatives. The Ecolabel scheme will need to be a key part of such an SCP package, linking to other policies and providing a backbone of good quality life-cycle based product information for them to use. An overhaul of the way the Ecolabel Regulation is written will allow it to be not just a stand alone instrument, but a usable and integral part of the wider SCP framework. A Regulation, written in a more simple and open way is needed, giving it the flexibility to link easily with other instruments as and when the need arises and decision making structures and processes will be simplified so they can be speeded up removing unnecessary bureaucracy.

The Ecolabel Regulation as it stands is overlong and spread across six additional Commission Decisions, it is difficult to follow and implement as a result and needs to be tidied up. The Regulation is also too restrictive meaning that when new innovative ideas are put forward, they cannot be reacted to. Improving the way the Regulation is written and how criteria can be developed will increase the chances that the potential environmental and economic benefits are realised – key to this will be the ability of the scheme to respond to innovation.

The Ecolabel will be better tailored to policy makers and will be a useful benchmark and information tool on the environmental performance of products. In terms of the objectives set out in Section 4, if this package of measures is adopted, we might expect success rates comparable to those of the Blue Angel or Nordic Swan labelling schemes.

The economic and environmental impacts of the scheme will depend on its success, though indications of the potential environmental benefits at different levels of success can be found in the AEAT report referenced in this impact assessment.

The success of the Ecolabel will depend, amongst other factors, on how well it co-ordinates with other policy instruments aiming at promoting innovation in the life-cycle environmental performance of products. The forthcoming Commission Sustainable Consumption and

Production Action Plan will examine ways to use a range of product policy instruments in a coherent and co-ordinated way to maximise their effect as a whole in driving both innovation and sales of better performing products. As the Ecolabel would be a part of that package of instruments, its impact will need to be judged as part of that package.

The Ecolabel imposes no administrative burden on companies in the strict definition of the administrative burden used by the Commission⁴³ because costs only incur to companies that voluntarily decide to apply for the label. However, this is not a reason to reduce any unnecessary costs from the scheme's operation. Reducing these costs will lead to a more effective achievement of the scheme's objectives, making the Ecolabel both more attractive and increasing its net benefits. Several of the micro-objectives recommended to be accepted will reduce unnecessary administrative burden.

In conclusion, it seems fair to say that, as a voluntary instrument, a modified Ecolabel can have net economic benefits for the EU economy, and increase both competition and competitiveness. The Ecolabel therefore works with the market and – with its simplified approach – is a model "better regulation" policy instrument.

⁴³ Administrative costs are defined in the 2007 Commission Action Plan for Reducing Unnecessary Administrative Burden as "the costs incurred by enterprises.....in meeting legal obligations to provide information on their action or production".

Annex

List of current product groups:

Dishwashers

Footwear

Televisions

Hard Floor Coverings

Tissue paper

Refrigerators

Textile products

Soil improvers

Growing Media

Paints and varnishes

Copying and graphic paper

Light bulbs

Bed Mattresses

Washing machines

Dishwashing Detergents

Laundry detergents

Vacuum Cleaners

Tourist Accommodation Service

Personal Computers

Portable Computers

All-purpose & sanitary cleaners

Hand dishwashing detergents

Camp Site Services

Lubricants

Soaps, shampoos & hair conditioners