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Subject: Eco-innovation: enabling the transition towards a circular economy
- Council conclusions

Delegations will find in the Annex the Council conclusions on the abovementioned subject, as adopted by the Council at its 3590th meeting held on 18 December 2017.

Eco-innovation: enabling the transition towards a circular economy**- Council conclusions -****RECALLING:**

The UNGA Resolution of 25 September 2015 on "Transforming our world: the 2030 Agenda for Sustainable Development" and the Paris Climate Agreement (COP 21) and Resolutions 1/5 and 2/7 on chemicals and waste, and 2/8 on sustainable production and consumption, as adopted by the 1st and 2nd sessions of the United Nations Environment Assembly (UNEA) in Nairobi on 27 June 2014 and 27 May 2016;

The Europe 2020 Strategy for smart, sustainable and inclusive growth adopted by the European Council on 17 June 2010, its Flagship Initiatives "A Resource-Efficient Europe" and "Innovation Union", and the Decision of the European Parliament and of the Council of 20 November 2013 on a General Union Environment Action Programme to 2020 "Living well, within the limits of our planet" (7th EAP) for a resource-efficient, green and competitive low-carbon economy ¹;

The Commission's Communications on "Innovation for a sustainable future - The Eco-innovation Action Plan" ²; "Building the Single Market for Green Products: Facilitating better information on the environmental performance of products and organisations" ³; "Green Action Plan for SMEs: enabling SMEs to turn environmental challenges into business opportunities" ⁴; "Closing the loop - An EU action plan for the Circular Economy" ⁵ and the report on its implementation ⁶, "Digitising European Industry - Reaping the full benefits of a Digital Single Market" ⁷ and "Investing in a smart, innovative and sustainable Industry - A renewed EU Industrial Policy Strategy" ⁸;

¹ OJ EU L 354/171, 28.12.2013.

² 18874/11 - COM(2011) 899 final + ADD 1 + ADD 2 + ADD 3.

³ 8310/13 - COM(2013) 196 final + ADD 1 + ADD 2.

⁴ 11616/1/14 REV 1 - COM(2014) 440 final + ADD 1 REV 1.

⁵ 14972/15 - COM(2015) 614 final + ADD 1.

⁶ 5799/17 - COM(2017) 33 final + ADD 1.

⁷ 8100/16 - COM(2016) 180 final + ADD 1.

⁸ 12202/17 - COM(2017) 479 final + ADD 1.

The Council conclusions on:

- Sustainable materials management and sustainable production and consumption: key contribution to a resource-efficient Europe ⁹;
- Greening the European Semester and the Europe 2020 Strategy - Mid-term review ¹⁰;
- A Roadmap to a resource-efficient Europe ¹¹;
- Closing the loop - An EU action plan for the Circular Economy ¹²;
- The protection of human health and the environment through the sound management of chemicals ¹³;
- The EU and Responsible Global Value Chains ¹⁴;

RECALLING that eco-innovation is any form of innovation resulting in or aiming at significant and demonstrable progress towards the goal of sustainable development, through reducing impacts on the environment, enhancing resilience to environmental pressures, or achieving a more efficient and responsible use of natural resources ¹⁵; RECOGNISING also that research and innovation are essential to boost the necessary sustainable and efficient processes in order to stimulate the transition to the circular economy, while fully respecting the precautionary principle;

UNDERLINING the role of eco-innovation to provide solutions by improving environmental performance and increasing resilience throughout product life cycles across sectors, while rethinking supply chains and minimising waste generation;

⁹ 17495/10.

¹⁰ 14731/14.

¹¹ 18346/11.

¹² 10518/16.

¹³ 15673/16.

¹⁴ 8833/16.

¹⁵ 18874/11 - COM(2011) 899 final + ADD 1 + ADD 2 + ADD 3.

EMPHASISING the importance of fostering economic and social development that also sustains or restores a healthy living environment, including biodiversity preservation and restoration; STRESSING the need for coherence between innovation support policies and other policies in particular with the focus of the protection of human health, the environment and the transition to circular economy; HIGHLIGHTING the need to further stimulate the circular economy via environmental policies, regarding in particular climate, waste and water, as well as other policies, such as industrial, agricultural and research policy, and the need to enhance and strengthen the relevant competences that have a positive effect on these;

ENDORSING the aim of moving towards sustainable production and consumption and therefore a sustainable society, at local, national, regional and global levels; STRESSING the need to take solution-oriented action for change in business models, the environmental performance of products, consumer and producer behaviour, e.g. regarding the design and use of products and handling of waste, and towards a sharing economy and a whole value chain approach; CALLING UPON the responsibility of all economic operators to take the lead; RECOGNISING industrial symbiosis as an important measure for improving resource efficiency and for using waste as a resource;

STRESSING that the substitution of substances of concern (such as substances of very high concern, persistent organic pollutants and endocrine disruptors) and the sound management of potential emerging risks (nanomaterials and combined effects of substances) should be encouraged as an innovation factor;

STRESSING the importance of promoting the efficient, sustainable and circular use of bio-based materials through dissemination of knowledge on innovative nature-based solutions, best practices on the sustainable use of natural resources and support for innovation in the bio-economy;

UNDERLINING the importance of a monitoring framework with reliable indicators to measure progress towards a resource-efficient circular economy and the need to develop this framework in close cooperation with Member States; STRESSING in this context the need to formulate ambitious and realistic targets at EU level, which adequately reflect progress along the whole value chain, with particular attention being paid to the earlier stages of the product life-cycle and which support EU industrial targets;

EMPHASISING that action towards innovative and resilient societies that is inclusive and also has a regional scope, makes the best use of available and proven solutions and creates opportunities for inclusive and innovative development and sustainable business, should be central to the future of Europe and the implementation of the Sustainable Development Goals (SDGs); RECOGNISING that sustainable production and consumption in the EU, including its legislative and voluntary framework, is interlinked with global value chains and trade, and requires global cooperation;

Comprehensive product policy

1. RECOGNISES that information on the environmental and health-related characteristics of products and services is instrumental in the transition to the circular economy; URGES the Commission to present options and actions with a view to a more coherent product policy framework at EU level, including, where appropriate, the consolidation of existing instruments into a coherent legal framework, to provide the conditions for the competitiveness of sustainable products and requirements for the availability of product sustainability information to consumers, producers and recyclers, taking into account all existing instruments and initiatives, including EU Ecolabel, green public procurement, Innovation Deals, Green Claims, Ecodesign and Product Environmental Footprint; ENCOURAGES the Commission to integrate into this framework ongoing activities regarding standardised material efficiency aspects, such as extending product lifetime, the ability to re-use components or recycle materials from end-of-life products and waste-streams, the use of re-used and remanufactured components and recycled materials in products as well as other relevant activities, while taking into account non-toxic material cycles and other environmental and health impacts;
2. INVITES the Commission to carry out and present an assessment of product categories with high circularity potential, such as electronics and textiles, for which the availability of product information is most critical to advance eco-design, re-use, repair and recycling; CALLS ON the Commission to develop and present for these product categories product sustainability and circularity criteria, taking into account in particular resource efficiency, the content of substances of concern, recyclability and life-cycle assessment, while duly considering the competitiveness aspect, and to integrate the criteria within the relevant existing mandatory and voluntary policy tools; also INVITES the Commission to continue to develop quality standards and criteria for secondary raw materials; RECOGNISES the work carried out by the European Committee for Standardisation on material efficiency;

3. CALLS ON the Member States to make active use of the product sustainability and circularity criteria, for example in the process of green public procurement and by further developing the collective Extended Producer Responsibility schemes and the smart criteria used to modulate the fees to adequately reward for design for circularity; INVITES the Commission to develop guidance to the Member States and businesses for making use of such criteria; REQUESTS the Commission to monitor the uptake of product sustainability and circularity criteria in the EU and the use of voluntary initiatives for providing information on the environmental performance of organisations and products;
4. NOTES that a significant part of products' overall environmental and health impact is determined at the design stage; UNDERLINES in this context the role of an eco-design approach enabling material circularity, product life extension and increasing transparency throughout the value chain; CONSIDERS that forward-looking and adaptive eco-design standards could speed up eco-innovation in products, services and processes; CALLS on the Commission to examine the effectiveness and possibilities of dynamic standard setting as a tool in support of eco-innovation for a circular economy; and ENCOURAGES the Commission and the Member States to work towards increasing the use of an eco-design approach by economic operators;
5. REQUESTS the Commission to present an ambitious strategy for a non-toxic environment timely in 2018 in accordance with the objectives set out in the 7th EAP with a strengthened focus on sustainable, safe and non-toxic material flows, fostering opportunities for the innovative substitution of substances of concern, innovative sorting of waste and techniques to decontaminate waste and raw materials, and the availability of information to consumers, producers and recyclers on these substances found in products; also REQUESTS the Commission to develop an improved knowledge base on substances of concern and on the availability and properties of alternatives, and to support businesses in innovation towards non-toxic material cycles;

6. EMPHASISES the important role of businesses and their use of eco-innovation for the shift to a circular economy; WELCOMES the conclusion of the Fitness Check on EMAS and EU Eco-label, confirming the valuable role of the schemes as voluntary instruments for businesses to increase the environmental and health performance of products, services and organisations and to provide transparent information; ACKNOWLEDGES the initiatives and actions already taken by Member States; and ENCOURAGES the Commission and the Member States to develop relevant incentives to increase the uptake of these schemes, while taking into account other relevant environmental management tools as appropriate, and to integrate them with other product policy and environmental management tools to enhance effectiveness and added value at Union level; CALLS ON the Commission and the Member States to set up incentives to foster service-oriented business models such as sharing-economy models, product leasing and chemical leasing, and to integrate such models into strategic policy and guidance documents;
7. INVITES the Member States and the Commission to work in cooperative partnerships, taking into account existing eco-labelling and green public procurement criteria for products and services, with a view to setting common voluntary, ambitious and realistic targets for green public procurement; CALLS on central, regional and local governments to act as role models in sustainable consumption by increasing the share of green public procurement, and CALLS on the Commission to continue developing and providing the criteria for circular and green public procurement, taking into account sustainability and circularity criteria; RECOMMENDS the Commission to develop measures to support the uptake of these by local governments;

8. EMPHASISES the importance of eco-innovation in increasing the recycling rate of plastics, the use of secondary plastics in industries and finding sustainable alternatives, taking into account non-toxic material cycles; in this regard CALLS on the Commission to further investigate the possibilities of innovative solutions in substituting non-renewable and fossil-materials-based plastics with alternatives, such as bio-based materials, that provide environmental benefits and at least the same functionality for purpose and appropriate characteristics for treatment, including recycling;
9. INVITES the Commission to assess how to foster eco-innovation towards circularity in the field of water re-use, as envisaged under the Circular Economy Action Plan; LOOKS FORWARD to the results of the ongoing assessment of the Bioeconomy Strategy 2012 by the Commission and the subsequent follow-up actions of the Commission;

Transparency and digital tools

10. ACKNOWLEDGES that information about the contents of substances of concern and various materials in products, such as raw materials, critical raw materials, plastics and secondary raw materials, is necessary for consumers, producers, retailers and recyclers, including along global value chains, to move towards more circular material cycles and to ensure that the use of secondary materials is sustainable, safe for human health and the environment and price-competitive; RECOGNISES that while this information can be provided to consumers through labels on products or in-store displays, the accessibility of the information in a digital form could facilitate circular and sustainable business and consumer choices and encourage the collection and recycling of these products and industrial symbiosis, while avoiding unnecessary administrative burdens;

11. CALLS on the Commission and the Member States to evaluate existing instruments and, if necessary, establish new ones, for providing relevant information on product sustainability and circularity criteria, the content of products and the environmental performance of organisations to consumers, producers, retailers and recyclers; INVITES the Commission, in close cooperation with the Member States and the private sector, to propose a combination of voluntary instruments aiming at increasing product transparency; in this context INVITES the Commission, subject to evaluation of the current ongoing pilot phase, to explore also the possible uses of the Product Environmental Footprint (PEF) and Organisation Environmental Footprint (OEF) for measuring and communicating environmental information, taking full account of the need to maintain the competitiveness of Member States;

12. REQUESTS the Commission, in cooperation with the Member States and the stakeholders, to continue assessing and to provide information on the feasibility and characteristics of a digital product factsheet ¹⁶, and, based on that assessment, to develop relevant key elements for product categories with a high circularity potential, including product sustainability and circularity criteria and the content of products, taking into account *inter alia* already available information, all existing instruments and ongoing activities in the EU legislative and voluntary framework; INVITES the Commission to develop, on the basis of abovementioned assessment a digital product information system at EU level for making this information available;

¹⁶ A digital product factsheet, e.g. a product passport, would encompass product-specific key information in digital form about the materials and substances content of the product, as well as information about key attributes regarding product sustainability and circularity. This information can be accessed via a suitable digital application.

13. **UNDERLINES** that the transition towards a circular economy and towards achieving the SDGs must take full advantage of digital innovation and that the Commission and the Member States should develop a strategic approach to ensure the full use of the potential of the Information and Communications Technology (ICT) sector; **CALLS ON** the Commission and the Member States to assess and create favourable conditions for the use of ICT in e-governance and cooperation with civil society and the private sector and for enhanced accessibility of information, including by developing relevant IT infrastructure and promoting free movement of data; **INVITES** the Commission to include the assessment of the advantages of ICT solutions in impact assessments of policies and actions at Union level;

Incentives for enhancing innovation

14. **REQUESTS** the Commission to present a comprehensive analysis of the stages in a consumption and production chain, where single-market deficiencies or obstacles persist and more incentives have a high potential to speed up the transition towards a circular economy; **INVITES** the Commission and the Member States to remove regulatory and administrative obstacles to innovation resulting in environmental improvement, and **CALLS ON** the Commission to provide options for a wide range of appropriate incentives for businesses and consumers to enable and facilitate eco-innovation and to increase the transparency of product sustainability for consideration by Member States, such as financial measures, smart regulation and regulatory relief, while respecting the existing high level of protection of human health and the environment; **CALLS ON** the Commission and the Member States to cooperate and exchange experiences in the development of these incentives;

15. HIGHLIGHTS the importance of specifically supporting SMEs and start-ups with financing, capacity building, specific technical and research-related expertise and removal of existing regulatory and technical barriers, in order to support them in achieving their circular potential; CALLS ON the Commission and the Member States to take into account the goals of eco-innovation, resource efficiency and circularity, while revising their investment and financial strategies; REQUESTS the Commission to prioritise the financing of eco-innovative and sustainable projects in EU investment and financial programmes, including the EU Framework Programmes for Research and Innovation, with a specific focus on SMEs and start-ups; INVITES the Commission to propose, after evaluating the Environmental Technology Verification pilot programme, appropriate support for the marketing of eco-innovative technologies by SMEs and start-ups; WELCOMES the establishment of a European Resource Efficiency Excellence Centre, which provides information and support to SMEs, business intermediaries, resource efficiency practitioners and other interested parties;

Local action and awareness

16. UNDERLINES that by *inter alia* setting ambitious targets for sustainability, regions, cities and towns play a significant role in testing new solutions and pilot projects, thus catalysing eco-innovation; RECOGNISES that nature-based solutions and green urban infrastructures offer innovative and multifunctional ways of reducing pollution and addressing local challenges, including climate change mitigation and adaptation, social inclusion, and balancing living and work spaces as well as public and private green spaces; REQUESTS the Commission to map the areas where nature-based solutions have the highest potential for environmental performance improvement; CALLS ON the Member States and their regional and local authorities to set ambitious and realistic targets for sustainability, introduce nature-based solutions in regional development and spatial plans, develop partnerships and learn from best practices;

17. INVITES the Commission and the Member States to make use of the Green Spider Network, the European Forum on Eco-innovation, the European Innovation Partnership on Raw Materials and the Circular Economy Stakeholder Platform in order to promote eco-innovative solutions towards a circular economy; STRESSES the importance of the Member States and the Commission developing a strategic approach to engage and cooperate with the business sector and finance, economics and education experts and the wider public, for example through focused cooperation projects with the responsible national institutions as well as targeted use and support for national and international management tools;
18. ENCOURAGES the Commission and the Member States to organise campaigns for key sectors to raise awareness of consumers about the sustainability attributes of products and key environmental information; INVITES the Member States to develop national and regional research and innovation hotspots, including contact points, for the circular economy and to stimulate public-private cooperation to support national and international eco-innovative circular projects; also ENCOURAGES the exchange of regulatory and governance approaches favourable for eco-innovation; REQUESTS the Commission to integrate circularity in dialogues with external partners and to include eco-innovation in international cooperation programmes, such as Sustainable Production and Consumption and Sound Management of Waste and Chemicals;

Further steps

19. LOOKS FORWARD to the upcoming measures to be taken by the Commission without delay to deliver on the Circular Economy Action Plan, in particular the presentation of a strategy for plastics, an assessment of an improved interface between chemicals, products and waste legislation, a legislative proposal on water re-use and a monitoring framework for the circular economy;

20. CALLS upon the Commission to provide the Council with an annual written update on the progress made on the implementation of the Action Plan for the Circular Economy, also taking account of the implementation of the work programmes of the Ecodesign Directive and the Energy Labelling Regulation; INVITES the Commission to review and further develop, as appropriate, the Action Plan for a Circular Economy, to strengthen efforts on the transition towards a more resource-efficient circular economy and to gather momentum for eco-innovation, without prejudice to the EU multi-annual financial framework.
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