

Dear Environment Minister,

CAN Europe messages on climate, circular economy and biodiversity

We are writing to provide our contribution to discussions on key issues of importance as Europe and the world continue to build a new normal, for society and for our economies. These efforts include the important aspect of maintaining climate objectives and identifying what is needed for the immediate, medium and long term recovery and transformation.

CAN Europe is very happy that messages from the European Commission, European Parliament and a majority of Member States have clearly stated that the European Green Deal objectives are central to the recovery and transformation.

This letter offers our views on key aspects of the Circular Economy Action Plan (CEAP) and the Biodiversity Strategy. Below are our key messages for your meeting, and our detailed briefing which accompanies this letter provides more in-depth responses in particular on the circular economy and its links to economic recovery through industrial transformation.

The European Climate Law

Reaching the Paris Agreement's 1.5°C target will need all countries to increase climate action and enhance the zero-carbon transition. The European Climate Law must enable the EU to move forward and it is crucial that agreement is found as quickly as possible on increasing the EU's 2030 Climate Target. Furthermore the Climate Law must enshrine a scientific approach towards policy making and target setting. This science must come from a transparent and independent source, enhancing the EC's accountability. A framework is necessary for making it mandatory for the EU to update and submit a new long term strategy every 5 years, with which all sectoral roadmaps should be in line, making sure they are Paris compatible.

The Circular Economy Action Plan

The Circular Economy Action Plan (CEAP) addresses important issues and proposes similarly important tools that would better ensure meeting European climate objectives and wider, interrelated 7th Environmental Action Programme objectives. As economic recovery must continue to focus on transformation of companies (whatever their size) and sectors, we focus here at first on industry and the CEAP links to the Industrial Strategy.

There is a strong need for *product* related tools such as the **sustainable product policy legislative framework initiative** to link coherently with *production* related tools, whether these are legislative such as the **Industrial Emissions Directive** or non-legally binding such as the **Industrial Forum, industrial Alliances and ecosystems** and their subsequent **transformation roadmaps**. At the moment, what links these best are the proposed **sustainability strategies** on the built environment, chemicals, steel and mobility. Not only must these tools be mutually reinforcing, they must build on each other to ensure that momentum on continuous improvement does not reduce.

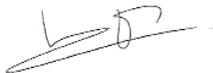
The EU Biodiversity Strategy for 2030

Biodiversity, ecosystems and climate change are closely interlinked. Destruction of our natural ecosystems releases carbon and destroys their capacity to store and sequester carbon. At the same time climate change exacerbates biodiversity loss. The two crises must be tackled together with the same resolve.

Climate Action Network Europe thinks that the European Commission's new biodiversity strategy for 2030 provides a good framework for protecting and restoring our nature's resilience, provided that **measures and targets proposed are implemented in a binding and enforceable manner.**

We hope that this contribution will help further develop your important discussions. We also welcome any opportunity to provide further detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Wendel Trio', with a horizontal line underneath.

Wendel Trio

Director

Climate Action Network Europe

Detailed briefing on Circular Economy for Environment Ministers

1. How can measures from recently presented initiatives of the European Green Deal, such as the Circular Economy Action Plan and the Biodiversity Strategy, most effectively contribute to the recovery from the COVID-19 crisis and help to build resilience and create a more sustainable and future-proof Europe?

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The level of industrial transformation needed to reduce resource use (and subsequently to provide better protection to biodiversity), to achieve climate neutrality, and to produce clean, circular products, demands considerable changes to business models, product design, production processes and value chains.

Also of importance are:

- The **sustainability principles** that the Commission says it will *consider* establishing, to regulate products along several important aspects of product performance. These principles are essential, to ensure a horizontal approach, and to provide industry with a clear vision on how to address sometimes competing environmental priorities (such as climate and biodiversity). Also, experience from the European Ecolabel has shown that companies apply criteria in business decisions even if they do not apply for the label. The sustainability principles could similarly provide industry with approaches to apply to products beyond those addressed by EU sustainable product policy.
- The **Industrial Emissions Directive** (IED) must be modernised, not just to include circularity, but also to be allowed to address greenhouse gas emissions, thereby creating a stronger link with the ETS. This IED modernisation would need to be considered alongside the upcoming ETS reform.
- Priority products to be addressed by the sustainable policy framework are: **intermediary products of cement, chemicals and steel**, (particularly as these will have multiplier effects on other products that are made with these intermediaries), **electronics and ICT, batteries and vehicles**. These are particularly relevant to the false 'conflict' between climate and biodiversity (and other resource) challenges, created by the existing approach to the Ecodesign Directive.
- The CEAP chapter on '**circularity as a prerequisite for climate neutrality**' is crucial if we are to maintain high levels of ambition across various environmental crises. Beyond the development of information, evidence and modelling tools, the product policy and industrial

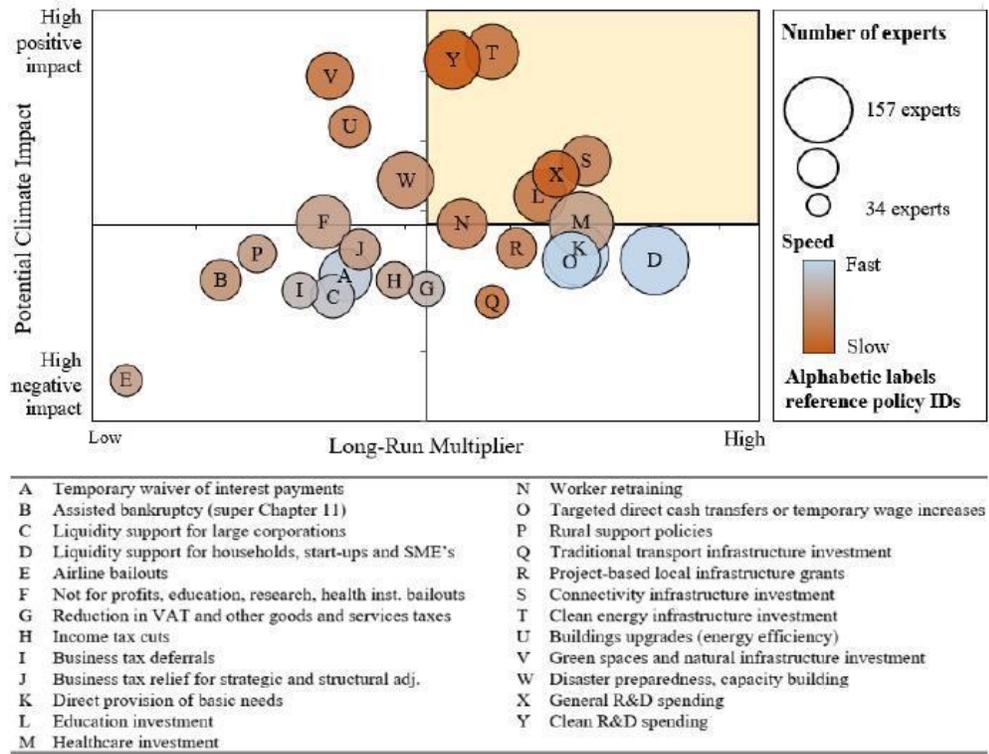
transformation roadmaps will need to allow immediate integration of this new information into product requirements and changes in industrial processes. Flexibility and adaptation are important for resilience.

Finally, the importance of the **2030 climate target** cannot be understated, especially as this will help to influence the nature of the actions, and the subsequent trajectories of sectoral roadmaps we call to be prepared in the overall Alliance approach and the specific Alliances described in the Industrial Strategy. These would also apply to the industrial ecosystems which have developed ad-hoc since the Industrial Strategy publication.

2. How can the implementation of the recovery plan ensure a stable and forward-looking investment environment that generates green growth and jobs, thus keeping the EU on the right track towards the objective of achieving a climate-neutral Europe by 2050?

The most simple answer to this question is the conditionality on funding provided to local and regional communities and especially to industry. We set out a number of conditions for energy-intensive industries in a recent opinion editorial (<https://www.euractiv.com/section/energy-environment/opinion/no-industry-support-without-a-commitment-to-cleaner-production/>). A fuller list follows below and could be applied as well to local and regional communities:

- Funding must use the EU **sustainable finance taxonomy** to define what is funded or not. According to the taxonomy, fossil fuels are not a sustainable investment, and so they should certainly not be funded by recovery money.
- Energy-intensive industries (particularly large industrial companies) must have a **carbon-neutrality transition plan** (that goes beyond shifts in energy sources and energy efficiency, to look at product design, production processes, to reduce resource use and its environmental impacts). Conditions should include **immediate actions to improve sustainability and resilience**. Concrete proposals are already outlined in the Master Plan of the High-Level Group on Energy-Intensive Industries and refit processes on REACH and other chemicals legislation.
- Funding and grants should be specifically earmarked for **SMEs** working towards climate neutrality and circularity, under simpler conditions than for larger companies.
- Companies receiving funding should not be allowed to use the funds to provide **dividends** to shareholders, and funding should not be provided to companies already having issued dividends in 2020. Money should only be spent on **future transformation**, rather than on historical performance.
- A recent Oxford University study analysed the **positive climate and multiplier effects of funding** after the 2008 financial crisis (see link and image below). The worst performing were airline bailouts, whereas the better performing were green R&D spending, building upgrades for energy efficiency, clean energy infrastructure, worker retraining, green spaces and natural infrastructure investment.



<https://www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-02.pdf>

Climate Action Network Europe

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