

# **Developing the Foundation for Integrated Product Policy in the EU**

Report by Ernst & Young

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DG Environment, European Commission

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# EXECUTIVE SUMMARY

## **1 Report Context**

This is the Executive Summary of a report prepared by Derek Smith of Ernst & Young and Frans Berkhout of SPRU to assist DG Environment of the European Commission clarify and develop the arguments for an integrated product policy (IPP) at European level. The report has been prepared in the context of the Commission's preparation for a Green paper on IPP. In conducting the work we have reviewed activity within leading member states and several other countries and international fora.

## **2 Challenges in Developing IPP**

Previous IPP analyses and events have shown the need to clarify a 'vision' of IPP and to set out how can that vision be applied. This requires clarity over the roles and relationship of key actors, setting objectives and priorities, developing an approach to the use of measures, and ensuring the impact of actions can be measured and evaluated.

## **3 Member State Analysis**

Our empirical work has confirmed that a majority of member states are not yet active in this field at all. Where national policy rationales for IPP exist, they are inconsistent from one to the next. Most do not address the range of challenges which arise in developing IPP. There are widespread gaps in knowledge about the potential benefits of pursuing IPP, and limited insight into the effect of previous product-focused measures on which to base projections of its future value.

There is reasonable consensus that the key principles which underpin IPP are that it is market facing, life-cycle based, and integrated. There is also broad agreement that it sits within the context of sustainable development programmes. There is, however, a lack of consensus about how to go about IPP, and where to start. As a result, there is considerable diversity in action amongst active member states. The gaps, inconsistencies and diversity are not surprising given the relative newness of this as a domain of policy.

Many member states, whether active in this area or not, are keen for the Commission to take a lead, to aid those who have not yet taken action or to define a framework which will apply consistently across the Community. This complements the views of other stakeholders in industry and in the NGO community. Policy makers and informed stakeholders in non-EU countries sense that the EU's thinking on IPP is currently more developed than their own. They have some concern about the potential trade implications of a European IPP, and a sense that European firms' focus on product management initiatives will give them competitive advantage.

These various factors point to the risks of failure to take action at European level and the potential opportunity to create a framework in which EU action adds value.

## **4 A Future Vision For IPP**

In the light of this, we set out a future vision for IPP. It is built upon a case that IPP is a more forward-looking and integrated approach to environmental policy which avoids some of the limitations associated with traditional approaches. These limitations flow

## EXECUTIVE SUMMARY *(Continued)*

from the way in which policy problems are framed, i.e. starting from an identified environmental problem. The four challenges we identify are uncertainty and controversy over environmental problems, the reactive nature of environmental policy, the persistent lack of integration of policy, and the focus on laggards rather than leaders.

IPP, which begins with the objective of minimising environmental burdens of goods and services in the market economy from a life cycle perspective, can be regarded as a response to each of these challenges. First, by emphasising high standards and continuous improvement in the provision of goods and services, there may be opportunity for avoiding some of the more debilitating policy debates that have surrounded the setting of environmental standards. Second, IPP is proactive, against the background of certain minimum environmental product standards. By stressing innovation and excellence, the aim will be to move ahead, and to set challenging targets for eco-efficiency and better goods and services in the market. Third, the problem of integration is dealt with head-on in IPP, which seeks to modify the environmental burdens of goods and service in a holistic way.

### **5 Implementing IPP**

The vision we describe and the conclusions from our member state analysis enable broad roles to be defined where there would be added value in European intervention. These roles are to provide leadership and diffuse good practice, to ensure that measures which focus on products are integrated, not only amongst themselves, but also with other environmental policy measures, to safeguard the internal market, and to promote measurement and evaluation. Some of these roles are common to those we recommended in our first report on IPP. We consider these roles to be as valid now as when we first expressed them in 1998. Safeguarding the internal market and supporting measurement and evaluation are functions of increasing importance as member states develop their agendas. To this extent, these roles are more important now than they were a number of years ago.

We have not advocated that the Commission dedicates its limited resources to implementing a portfolio of product focused measures. In future, there may be specific measures to take, including regulation. At present, we suggest that member states are best-placed to take specific action within a framework set at European level. Our ideas for how European intervention can add value in implementing the vision and approach, lead primarily to enabling measures. Principally, they help to set the European framework which interested stakeholders want to see. They also focus on setting aspirations and targets, in recognition of the fact that the implementation of IPP is likely to be a long-term and gradual process, where objectives need to be clear and effects need to be measured and evaluated. As this process of implementation unfolds, an important aspect of it will be consultation with stakeholders. We suggest that this consultation and engagement can begin in familiar forms of networking. In time, the dissemination of product related knowledge and information in the market is likely to increase through various forms of electronic commerce, such as electronic tendering and procurement.

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# INTRODUCTION

# 1

## 1.1 This Report

This report is the product of work carried out by Derek Smith of Ernst & Young and Frans Berkhout of SPRU to assist DG Environment of the European Commission clarify and develop the arguments for an integrated product policy (IPP) at EU level.

## 1.2 Background

The foundation for a product-oriented approach to environmental policy making at EU level has been laid. The May 1999 Weimar informal council, where IPP was discussed by Environment ministers, provided political impetus to the policy development process and mandated action from the Commission. The conclusions from the meeting endorsed the need for ‘environmental policy, both in the Member States and at Community level [to]... concentrate more on developing and implementing an integrated approach that deals with the entire life-cycle of products’.

There is a widespread sense, evident from analysis of policy development in member states, that focusing on reducing the environmental impact of products is a necessary and important strategy. The current debate about ‘sustainable consumption’ has brought the profile of product-related environmental impacts more sharply into focus. However, this conviction that products are an important locus for policy action has not been supported by a clearly articulated vision of what this agenda means for the European Commission and member states, now and in the future.

The Commission’s Green paper on IPP will seek to set a strategic direction at a European level by setting out a vision of what IPP can be. Given that there has been considerable discussion already about the conceptual framework surrounding IPP, the Green paper must also make clear how that vision can begin to be applied. Within that context, the rationale for Commission action in relation to member state activity needs to be clear and convincing. A number of challenges arise in seeking to clarify this, which we outline in this report. We examine how member states, who have led the way to date in articulating product focused strategies, have approached issues of vision and implementation, and suggest areas in which European action can add value.

## 1.3 Objectives Of This Study

In the light of the preparation of the Green paper, the aims of this project were to:

- seek and provide evidence of the benefits of an IPP approach, and
- build on and develop the supporting arguments for pursuing IPP at the European level, setting IPP in an appropriate context of objectives and indicators.

Both of these objectives support the Commission’s efforts to elaborate IPP and achieve stronger consensus on how an IPP approach might be pursued.

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## INTRODUCTION *(Continued)*

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### 1.4 Work Undertaken

In accordance with our terms of reference, included at appendix A, we have undertaken the following activities:

- ⌘ reviewed developments in key member states. We have drawn lessons from national justifications for a product-oriented approach. We have reviewed reports and analyses issued since our initial report on IPP was completed<sup>1</sup>. We have conducted interviews with policy makers in the Netherlands, the UK, Denmark, Sweden, Finland, Germany and Italy.
- ⌘ reviewed current thinking on issues such as sustainable development, indicators, and approaches to stakeholder consultation in order to assess how IPP relates to these.
- ⌘ attended meetings, conferences and workshops on IPP in order to assess recent developments. These included a product policy conference in Berlin on 2 February 2000, and an experts meeting on product policy in Ottawa on 13-14 February 2000, at which we made a presentation on European developments in IPP.

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<sup>1</sup> 'A study analysing national and international developments with regard to Integrated Product Policy in the environment field and providing elements for an EC policy in this area' (Ernst & Young and SPRU); March 1998.

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# CHALLENGES IN DEVELOPING IPP

# 2

## 2.1 What Are The Key Challenges To Address ?

Making a persuasive case for the development of IPP at European level requires clear description of the product-related challenge facing policy makers. Our initial report into national and international developments in IPP outlined the conceptual challenges which need to be considered when contemplating a transition to product-oriented approaches.<sup>2</sup> It also set out some specific issues facing policy makers when framing an integrated product policy.<sup>3</sup>

Since our report, many of these issues have been discussed in workshops and conferences, including events supported by the Commission. These events have shown the need to address two key questions:

- ⌘ what is the IPP ‘vision’ ?
- ⌘ how can that vision be applied ?

## 2.2 Developing A Vision

Our initial report recommended that the Commission had a potentially important role in articulating a vision for IPP. We argued that this was one of the first tasks the Commission should tackle.

The Green paper is the Commission’s opportunity to do this. It is important for a number of reasons:

- ⌘ first, it can provide boundaries and direction for member states which have not addressed the product agenda in a substantive way. This is the majority of member states. Such a framework will enable them to develop their own agenda and will help to create consistency when action in this field becomes more widespread.
- ⌘ second, for those member states which have introduced product-oriented policy frameworks, the Green paper can clarify the appropriate allocation of responsibility between member states and the Commission.

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<sup>2</sup> Section 3 of our report included a discussion of several important challenges relating to the development of product oriented policies, relating to issues of ‘consumer sovereignty, product diversity, stakeholder diversity, the scope of global product systems, and issues of risk and diversity’.

<sup>3</sup> Section 4 of our report discussed six basic issues which policy makers need to address. The following key questions were highlighted: What is a product ?; What are the key environmental impacts of different categories of product ? What policies influence these impacts either directly or indirectly ? Who along the product chain is the ‘target’ of these policies ?; How effective are policies in changing the behaviour of the target group?; What will be the influence of these policies on the life cycle impact of products systems ?

CHALLENGES IN DEVELOPING IPP (*Continued*)

- ⌘ third, many other stakeholders, especially in industry, are anticipating that the Green paper will give greater clarity to the long-term nature of this policy and will indicate the type of instruments which will be used to achieve its goals.

Articulating a vision at EU or national level requires consideration of a number of important questions:

- in what way are existing process-oriented approaches insufficient ?
- what kind of policy is IPP ? what are its distinctive characteristics ?
- how does it relate to concepts like sustainable development and eco-efficiency ?
- how does it relate to the potential economic transition from products to services ?

There are many subsequent challenges relating to how to apply that vision. A first set of questions relate to clarifying *roles and relationships*, and the need to place IPP in an appropriate context.

- what is the proper relationship between Commission and member state action?
- where does IPP fit in the policy makers' 'tool box' ?
- what are the implications of IPP for other areas of EU and national policy, such as waste and chemicals policy, or trade policy ?
- how does IPP provide additional benefit ?

A second set relate to *objectives and priorities*:

- given the diversity of individual products and product groups, how should policy makers set priorities for product focused policy ?
- what criteria should be used to determine where to focus ?

A third set of questions relate to *measures and specific actions*:

- in what circumstances, if any, should the Commission take practical action in IPP ?
- what is the appropriate balance between regulation and market mechanisms?
- how can policy act on the *use* phase of the product life cycle ?
- which instruments should be used in which circumstances?
- what might pilot projects look like and what would be their objectives ?
- what is the best approach to consultation with stakeholders ?
- what lessons might the Commission learn from national experience?

A final set of questions relates to *measurement and evaluation*:

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**CHALLENGES IN DEVELOPING IPP** *(Continued)*

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- how much environmental degradation is attributable to products ?
- how much would a product approach contribute to improving the state of the environment ?
- how can policy makers measure the success of product policies?
- what research is being done in this area ?

**2.3 Approaches To Implementation**

In section 3, we analyse how member states have approached questions relating to vision and implementation. The conclusion we reach from our review is that the need to articulate a vision is as strong now as it was at the time of our original report. There is, encouragingly, a shared set of core principles and thinking around which a vision can be formulated. Our review of how member states have addressed questions relating to implementation, on the other hand, shows a picture of far greater diversity and unevenness. This in itself provides the basis of a case for the Commission to take action. Most member states, regardless of whether they are leaders or laggards in this field, are eager for the Commission to demonstrate leadership and drive the debate forward.

Having analysed how member states address the question of a vision for IPP, we outline in section 4 elements of an IPP vision at European level. We describe IPP as a dynamic, market-facing framework which addresses problems inherent in traditional policy approaches, and which provides positive environmental, economic, and potentially social benefits. In section 5, we suggest where European activity can add value, and describe how the Commission could become involved in implementation.

## MEMBER STATE ANALYSIS

## 3

### 3.1 Introduction To This Section

This section summarises how leading member states have put forward their own strategies and rationales for a product focused approach. In accordance with our terms of reference, it builds upon our earlier analysis of developments in member states.

For ease of reference, activities within Denmark, Sweden, Norway and Finland have been grouped within a single column in the tables which follow, reflecting their common interest in the cross-sectoral IPP group, set up under the auspices of the Nordic Council of Ministers. There are differences in their approaches, however, as the text within the tables highlights.

### 3.2 What Drives The Need To Focus On Products ?

Table 3.2 below illustrates the variety of arguments used at national level to promote a product-focused agenda. Three significant points in common emerge. The first is the sense that past policy, notwithstanding its successes, has failed to focus coherently on products. Second, growing levels of consumption and rising volumes of waste drive the need for action now and in the future. Third, structural changes in industry (notably the gradual shift from materials and energy-intensive industrial economies towards more service-intensive economies) create a need for an approach to policy making which is less reliant on traditional point-source controls, and which is more flexible and responsive. In summary, these points suggest that a focus on products is a necessary component of environmental policy in the future.

*Table 3.2: Drivers*

Nordic Group Countries	The Netherlands	Germany	The UK	Italy
<p>For different reasons, consumers, producers, and public authorities have all failed to develop or exploit a coherent framework for acting on product agenda. (Nordic Group).</p> <p>Regulation over last 25 years has brought improvements, but product use <i>is</i> an environmental problem - diffuse sources / large volumes magnify the impact. Commercial opportunities will arise - first mover advantage - if this agenda is addressed. (Denmark)</p> <p>Structural changes in industry, (transition from large industrial plants to high tech industries, and reduced industrial emissions / waste in industrial</p>	<p>Changing patterns of production and consumption.</p> <p>Need for more holistic approaches, acting in integrated way along the product chain, and through self regulation.</p> <p>Need to focus on product-based impacts (ie. VOC emissions for air)</p>	<p>Unsustainable patterns of production and consumption.</p> <p>Strong consumer concerns, and buying influence.</p> <p>Need to de-couple economic growth from resource use - and promote resource efficiency.</p>	<p>Growing levels of consumption, and rising volumes of waste.</p> <p>Need for an integrated approach to develop a suite of measures suited for particular product sectors.</p> <p>Potentially larger benefit of focusing on consumption-related initiatives, rather than process-related.</p>	<p>Opportunity to reduce environmental impacts beyond traditional intervention areas of the life cycle (i.e. production and disposal).</p> <p>Adoption of a reference unit (the product) that is more easily recognisable by all stakeholders.</p>

MEMBER STATE ANALYSIS (*Continued*)

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plant) (Finland).				
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### 3.3 In What Context Are Arguments For IPP Made ?

In articulating their arguments for a product focused approach, policy makers across member states position the rationale within two contexts. One is alongside existing environmental policy instruments and fields of action. This suggests that the focus on products is a complementary strategy, addressing the gap highlighted above in which the environmental impacts linked to product use have not received sufficient attention. The links drawn between product-focused measures and existing strategies emphasises the need for policy co-ordination and integration, which has always been seen as a defining characteristic of IPP. This leads to the second context in which product policies strategies are framed: that of sustainable development, or sustainable production and consumption. Product policy is seen as an integral part of emerging national strategies to deliver sustainability. From the EU perspective, national experience suggests the value of positioning product policy within broader sustainable development strategy and around agreed environmental policy commitments, such as those which will figure in the Sixth Environmental Action Programme, to be put forward in 2000. This would give clarity, would highlight integration, and would limit the scope for arbitrary choices about where to focus effort.

An interesting aspect of each of these contexts is that they have not included specific external pressures on the policy system, but have rather emerged from problems identified from within the environmental policy (the need for integration), or a desire to match policy more closely to framework objectives (sustainable development). This also suggests that the politics of IPP will be different to the politics of many environmental policy processes.

Nordic Group Countries	The Netherlands	Germany	The UK	Italy
Sustainable development, encompassing: economic, social and cultural elements, and the need for life style changes (Finland); the demand for cleaner products amongst private consumers, shown by purchase of eco-labelled products. (Sweden); the concept of 'environmental space' - ie. respecting natural environmental capacity. (Denmark); the regional and global impact of products; greater eco-efficiency (Factors 4 and 10.)	Sustainable production and consumption.  Existing waste and evolving product information measures.	Sustainable development, (although no formal national plan for SD).  Resource efficiency: interest in shift from product to services, and in more prudent use.  Life cycle considerations.  Integration with existing measures - on waste, chemicals,	Sustainable Development, and the unsustainability of current patterns of resource use and consumption.  Social, ethical and trading issues given consideration but not explored in detail.  Focus on consumer products and the environment, but in broader context of plans to develop 'sustainable	Life cycle management and IPCC in environmental policy making.  The inclusion of services in life cycle management for environmental policy making.  Seeking greater integration of existing environmental policy measures, to maximise synergy

MEMBER STATE ANALYSIS (*Continued*)

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<p>Alongside other strategies which will contribute to SD (such as preservation of biodiversity, alleviation of global poverty, integration of environment into all policy areas) (Nordic Group).</p> <p>Alongside other fields of policy (such as chemicals) and of the same order as these (Norway).</p> <p>As a tool to co-ordinate other policies, instruments and measures, to provide a consistent approach (Sweden).</p>		and labelling.	business'.  A long-term programme of 'market transformation'.	and minimise contrasts.
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### 3.4 What Are The Key Principles Which Underpin IPP ?

Analysis of the principles which underpin product policy strategies at national level shows reasonable consensus. The three key principles, either directly stated or implied, are *integration, market based approaches, and life cycle thinking*. Given the context of IPP within sustainable development strategies, none of these principles is surprising. There are several aspects to how the principle of integration can be interpreted and applied, including horizontal integration (integrating the control of impacts at given stages of the product chain to avoid cross-media transfers of pollution), vertical integration (taking an integrative approach to managing environmental impacts along the product chain), and policy integration (integrating environmental aspects into other areas of policy). Life cycle thinking supports the need to focus on the product system, rather than individual components of it such as the production process. It also encourages policy makers to consider where in the product system the key environmental impacts arise, and therefore which type of measure will yield the most significant environmental gain. The recognition of how important market based approaches are reflects the need for policy which is sensitive to market structures, can promote innovation, disseminate good practice, and reward market leaders.

There is also broad consensus about the importance of stakeholder engagement, but little evidence of consistency about how to conduct stakeholder consultation. This is discussed within the section on approaches to implementation, below.

Nordic Group Countries	The Netherlands	Germany	The UK	Italy
Stakeholder involvement - incorporating extended producer responsibility (Sweden); creation of national 'product panels'	Integration.  Working with the market, including self-regulation, and	Integration.  Co-operation between policy and	Working with the market.  Policy integration.	Cradle to grave view.  Stakeholder involvement.

MEMBER STATE ANALYSIS *(Continued)*

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(Denmark).  Openness and transparency (Finland); measurement. ('What gets measured gets managed' - Sweden).  Substitution principle.  Polluter pays and precautionary principle (Finland); translated into paying less for cleaner products (Denmark)  Life cycle perspective.  Co-ordination with other policy actions.  Market oriented.	voluntary action.  Good environmental information.  Stimulating product-oriented environmental management and innovation.	industry.  Communication / stakeholder involvement.  Polluter pays and precautionary principles.  Market-facing.		Integration of environmental policy instruments.  Openness and transparency.
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### 3.5 How Have Member States Approached Implementation ?

The reasonable degree of consensus we have highlighted in member states over drivers, positioning, and principles breaks down when implementation strategies and approaches are analysed. Translating the conceptual framework into practical priorities and actions takes member states down very different paths. Our initial report into IPP highlighted the diversity of approaches and measures within member states. This more recent analysis confirms that diversity.

#### 3.5.1 *Launching the IPP debate*

Before examining the different objectives of national policies, it is worth noting the similar approaches member states have taken to launching the product policy debate within their countries. As we highlighted in our initial report into IPP, leading member states were those which had articulated a product policy strategy in a policy document. Table 3.5.1 below shows the range of discussion papers and reports which have been issued. One point of particular note is the tendency to involve a range of stakeholders in the policy development process, through information networks or sector-driven consultation bodies.

Nordic Group Countries	The Netherlands	Germany	The UK	Italy
No definitive Nordic Group strategy, but working group papers and workshop analyses (eg. Stockholm 1999). Group is awaiting EU direction.	NEPP Plus Plan (1989).  More detailed policy memorandum on products and the environment (1993,	Development of a concept for IPP in Germany for Federal Ministry of the Environment (1999-2000).	1998 Consultation paper on 'Consumer products and the Environment' (DETR).  1999 creation of an	Creation of multi-stakeholder consortia for the management of the packaging life cycle.  Stronger support for

MEMBER STATE ANALYSIS (*Continued*)

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<p>Work in hand on the development of a national strategy, in line with Nordic and EU proposals.</p> <p>Discussion and policy papers (Denmark: 1996)</p> <p>Preliminary government report to Parliament (1997), followed by working group to develop recommendations. (Norway)</p>	<p>and modified in 1995).</p> <p>Product issues will be incorporated in new NEPP4, due in early 2001.</p>	<p>German Presidency's launch of informal Environment Council (Weimar - May 1999).</p> <p>Building on well-established body of national waste, substance, and eco-labelling action.</p> <p>Internal research within Federal Environment Agency (not published) into potential IPP in 1995-96.</p>	<p>Advisory Committee on Consumer products and the environment.</p> <p>Organisational re-positioning of UK Ecolabelling Board, to incorporate it more within IPP development area.</p>	<p>encouraging participation in the EU Ecolabel Programme.</p> <p>The adoption in principle for hazardous products of a product policy approach.</p> <p>Proposed legislation regarding mandatory local green accounting, which should help measure environmental impacts of products and specific industries.</p> <p>Research study on the development of a national IPP programme.</p>
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3.5.2 *IPP Objectives*

In several member states, there are no clearly stated objectives for product focused measures beyond the contribution they will make to sustainable development. The Nordic countries have the most specifically defined product-focused agendas. In Norway, the link is drawn to existing national environmental priorities such as climate change, air pollution, human health, and bio-diversity. In Denmark, where the focus of early measures was on the promotion of cleaner technology, there remains a clear aim to push manufacturers towards the production and sale of cleaner products, while pulling the market through support for better consumer information, stakeholder engagement, and support for eco-labelling initiatives. Market pull is also evident in the emphasis given to greening public procurement. In the Netherlands, priority has been given over the past 2-3 years on the promotion of product-oriented environmental management systems by producers of goods and services. This has been as a result of a move away from regarding the final consumer as the main target of product policy.

The variety of aims, and in some cases their lack of precision, makes the definition of a common set of objectives much more difficult. The Nordic product group have been able to create a common agenda with an agreed focus on product measures, but within the group there is real diversity of priorities and tools. Provided their aims are not contradictory or create barriers to trade, this heterogeneity may be beneficial, in that it allows national priorities to co-exist alongside each other. The council provides leadership, focus, co-ordination and information exchange. It is the only trans-national

MEMBER STATE ANALYSIS *(Continued)*

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mechanism of its kind, and therefore offers potential learning when considering the future role of the European Commission in this area.

No member state has attempted to estimate or define how much a product-focus will contribute to tackling environmental degradation, and thus objectives are typically couched in general rather than specific or measurable terms. In the Netherlands, where product policy has been established for longer than other member states, consideration is currently being given to the development of the creation of a notional basket of 'indicator products' that will be monitored for environmental performance (like the basket of goods used in some member states for monitoring inflation). It is planned that the first set will be reported on in the Dutch State of the Environment Report 2000.

*Table 3.5.2 IPP Objectives*

Nordic Group Countries	The Netherlands	Germany	The UK	Italy
<p>Create an overview of initiatives and co-ordinate them across the product chain, across all life cycle stages.</p> <p>Avoid internal market conflicts and increase European competitiveness; recycle and reuse products, minimise waste; eliminate the production of hazardous waste; (Sweden).</p> <p>Denmark categorises 3 types of objective:</p> <ul style="list-style-type: none"> <li>⌘ environmental : develop, produce and market products with improved environmental properties especially relating to hazardous substances, fossil fuels, biological and mineral resource depletion.</li> <li>⌘ commercial: strengthen the production and sale of cleaner products and services with reduced impacts.</li> <li>⌘ process: involve all stakeholders and international partners</li> </ul> <p>Link to existing national environmental priorities, namely climate change, air pollution, human health, hazardous chemicals, bio-diversity (Norway).</p> <p>Aim to increase industry responsibility to improve</p>	<p>See IPP as long-term and evolutionary process.</p> <p>Objectives, therefore are to integrate product oriented thinking in policy, through adoption of more holistic approaches.</p> <p>Similar aim for integration of product life cycle thinking in industry action, focus on practical tools for business.</p> <p>See consumer issues ending up as product issues: products are the link between producers and consumers.</p> <p>Aims are set within the context of sustainable production and consumption.</p>	<p>No specific IPP objectives yet established. A number of different ministries are involved in developing IPP concepts.</p>	<p>No specific IPP objectives articulated, but proposals for action on consumer product labelling.</p> <p>Policy objectives positioned within sustainable development strategy - IPP referenced within UK strategy paper ('Better Quality of Life').</p>	<p>Increase the efficiency of existing environmental policy measures.</p> <p>Reduce environmental impacts across the life cycle.</p> <p>Increase stakeholder involvement.</p>

MEMBER STATE ANALYSIS *(Continued)*

3

overall environmental efficiency across the life cycle of their products (Norway).				
Support interest in energy and waste taxes (Finland).				
Build on apparent success of eco-labels (Bra Miljoval) and the Nordic Swan, using other information instruments (like EPDs - a type III label initiative). (Sweden).				

3.5.3 *Sectoral Focus*

The variety of objectives means that member states' action focuses on different sectors. Apart from Denmark, there is little explicit clarity as to why certain sectors are the focus of attention, but there are implicit linkages to priority waste streams, or national issues of specific concern. In Denmark, the decision to convene the three specific product panels chosen was governed by a mix of practical, economic and environmental factors, namely the relative profusion of documents, the volumes of production and demand, and the relevance to environmental priority areas. Within member states, there is reasonable coherence between priorities and sectors, but across member states, there is little consistency. From the EU perspective, this renders the potential task of determining priorities much more challenging because there is no consensus about which areas of the European economy warrant intervention and which do not.

Table 3.5.3. *Sectoral Focus*

Nordic Group Countries	The Netherlands	Germany	The UK	Italy
<p>Nordic Group considering product panels on fishing, building and electronics.</p> <p>In Sweden, focus on cars and car tyres, electronic and electrical appliances, packaging, printing, furniture and building materials.</p> <p>Among leading cross-stakeholder groups, there was a sense of focus on energy, food, traffic, household appliances, electronics, fishing and building sectors.</p> <p>Plans to do more on municipal and central government green procurement. (Finland). Also a focus in Denmark and Sweden.</p> <p>Finnish interest in</p>	<p>Early focus on patterns of consumption, and therefore to influence consumers, and structure and volume of consumption.</p> <p>From 1992, more targeted concern with problem-oriented waste-oriented, and energy-oriented problems. Priority product groups include chemical products, hide and leather, wood pulp, textiles, footwear, electronic</p>	<p>No sectoral focus specific to IPP yet determined.</p>	<p>Consumer products, broadly defined, but with initial focus on areas where measures have been applied (eg. household appliances).</p>	<p>Not applicable yet.</p>

MEMBER STATE ANALYSIS *(Continued)*

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economically significant sectors (such as pulp and paper and base metals).	equipment and others.  Focus in mid 1990s on industry sectors to develop product oriented management systems; broad range of sectors participated - commodities, manufacturing, food, and services.			
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3.5.4 *Notable Actions*

Table 3.5.4 below highlights notable and innovative actions which selected member states have taken to implement their IPP goals.

The initiatives listed below typically fit within the context of other actions already taken. The most co-ordinated activity has been within the Nordic countries, (especially Denmark) and the Netherlands, where the phrase ‘integrated product policy’ has been used to provide a framework within which specific initiatives have been launched. In Denmark, for example, actions taken include the provision of subsidies administered by a Council for Cleaner Products; the production of a warning list of ‘undesirable’ chemicals; the introduction of ‘Green Accounts’ showing resource consumption and emissions from businesses; packaging agreements with industry, promoting collection and recycling, and so on.

In other member states, too, there are well-established product-agendas. In Germany, for example, there is a strong feeling in organisations like the BDI that product policy is not new, given the variety of regulations, standards, prohibitions, and voluntary actions (including labelling initiatives like the Blue Angel - begun in 1978) which are already in place at national level.

The table does not list the full range of actions which have been taken under the IPP umbrella in member states. Its purpose is simply to highlight particular initiatives of note because of their importance in the national context, or because they are innovative.

Denmark	The Netherlands	The UK
In Denmark, development of ‘product panels’ in sectors where there is good research base on clean technology, and room for improvement. Panels now exist in textiles, goods transportation, and	Focus since around 1995 on securing voluntary agreements with industry (VNO/NCW) to develop product oriented environmental management systems (POEM).  POEM now seen as the ‘umbrella’ for	‘Market Transformation’ programme, launched in 1998. This seeks to reduce adverse impact of ownership and use of certain manufactured products (to date, focusing on domestic appliances and other consumer goods). At present, MT focuses

MEMBER STATE ANALYSIS (*Continued*)

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<p>electronics.</p> <p>Panels typically involve total of 10-13 people, from industry and consumers, and focus on production of clean products and how to market them. Administrative and financial support is provided by Environment Agency, which also prompts members to set ambitious and broad goals.</p>	<p>other IPP policies (such as LCA development, and packaging initiatives). POEM initiative has included strategic and operational evaluation.</p>	<p>on energy consumption issues.</p> <p>Approach taken includes developing a sound research base to determine priorities, and practical actions; driving an integrated programme of measures (promotional campaigns, energy labels, standards development, industry agreements, procurement activity) which are acceptable to stakeholders; developing impact assessment models. Programme adopts an open, consultative approach so that data, trends, economic and technical issues, and resulting policy actions are agreed.</p>
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3.5.5 *Consultation*

In some countries such as the UK, traditional consultation processes have been used to open the debate about products and the environment, which has led to the creation of an expert advisory group to drive the product agenda forward. In other member states, the approach has been to focus consultation through existing fora in eco-labelling programmes. The most innovative approach has been the creation of specific product panels in Denmark in which a range of stakeholders in three specific product areas (textiles, goods transportation, and electronics) have been brought together to articulate product-specific goals and actions, in consultation with government. This approach has similarities with the Dutch approach of negotiated agreements. Product panels are being considered within the Nordic group, but there is some concern that standards which result may from the process may be lower than those which could be achieved in a single member state. From an institutional perspective, there is little evidence of the serious involvement of non-environment ministries in internal consultation within government. Internal departmental consultation is an important feature of IPP, and will be necessary if successful policy integration is to occur.

*Table 3.5.5 Consultation*

Nordic Group Countries	The Netherlands	Germany	The UK	Italy
<p>IPP information network created in 1998, involving multi-party stakeholders.</p> <p>Three product panels (textiles, electronics and goods transportation), involving stakeholder groups in Denmark.</p> <p>Creation in 1995 of the centre for Sustainable Production and Consumption (GRIP), a multi-stakeholder body which is the driving force behind IPP in</p>	<p>Consultation in the context of voluntary agreements with industry.</p>	<p>Many existing consultation fora: within Blue Angel scheme; standards working groups.</p> <p>More recent involvement of BDI, including creation of a working group.</p> <p>International workshop held in Berlin in February 2000, with support</p>	<p>Issue of public consultation document.</p> <p>Creation of expert advisory panel, includes range of groups.</p> <p>Market Transformation involves stakeholder group input.</p>	

MEMBER STATE ANALYSIS *(Continued)*

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Norway.  Product testing done by Consumer Council (Denmark).		of BDI, BMU.		
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### 3.6 What Lessons Might Be Learned From National Experience ?

The challenge highlighted above in determining priorities is important, but is only one aspect of the broader challenge of defining how IPP should be implemented. As we have outlined in section 2, the challenges on implementation relate to policy coherence, integration, objective setting, and measurement. These issues arise at national and EU levels, which necessitates due regard for the principle of subsidiarity and for the need to safeguard the internal market. Table 3.6 below sets out some lessons from national experience.

Table 3.6 *Lessons from national experience*

Nordic Group Countries	The Netherlands	Germany	The UK	Italy
<p>Find areas in common to begin with to avoid paralysing early conflicts (Nordic Group)</p> <p>Detailed priorities cannot be set for individual product groups. Priorities need to be determined in the light of existing political goals, which already set a broadly accepted agenda for action (Denmark).</p> <p>Decentralised administrative structures make monitoring and co-ordination more difficult (Sweden).</p>	<p>International dimension of IPP - which Dutch policy has always emphasised.</p> <p>Avoid over-emphasis on information instruments.</p> <p>Link consumption policy agenda to products.</p> <p>Work with industry.</p>	<p>Much useful experience exists to build on: in areas such as labelling, approaches to consultation, standards development, and product-related innovation in firms.</p> <p>Experience of eco-taxes has shown difficulty in implementing these measures in this market.</p>	<p>Life cycle approach must inform policy, but not through slavish adoption of LCA tools.</p> <p>Key priorities need to be agreed, which channels down into focus on the most relevant products.</p> <p>Consensus is key, as is business engagement, including a focus on innovation.</p> <p>Consumer engagement, supported by clear and verifiable information, is a key long term requirement.</p>	<p>Not applicable yet.</p>

### 3.7 What Issues Are Of Future Concern ?

In analysing member state positions, it is clear that leaders in this field are eager for the EU to articulate its position, so that they can develop their own approaches accordingly. It is also clear that laggards in the field are looking to the EU to take a lead and clarify what this agenda might mean for them, and to develop a framework which they can adopt for their own purposes. The table below, which draws out issues of future concern amongst active countries makes clear the desire for a 'vision', ideally supported by a clear approach to implementation. Although member states have led the way, there is an expectation that the Commission will take this agenda onto the next stage,

MEMBER STATE ANALYSIS *(Continued)*

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while consolidating what has gone before. This is a tall order, but makes it incumbent on the EU to articulate a vision which is sufficiently radical to grasp attention, supported by a clear view on what this will mean in practice.

Table 3.7 *Issues of Future Concern*

Nordic Group Countries	The Netherlands	Germany	The UK	Italy
<p>Defining an over-arching Nordic framework, which aligns with an EU approach. (Nordic group).</p> <p>Indicators for IPP and sustainable development (Sweden);</p> <p>Possible hurdle created by need for consensus among broad groups of stakeholders (Finland).</p>	<p>Development of IPP is a long-term and evolutionary process, which may require shifts in focus and emphasis, as has occurred in Dutch policy over the past decade.</p> <p>Encourage wide adoption of POEM.</p>	<p>Coherence of national and EU frameworks.</p> <p>Ensuring that trade within the single market is not adversely affected by product focused measures.</p> <p>Industry concern that IPP avoids additional restrictions and more regulation, and supports voluntary measures.</p>	<p>The greater complexity of IPP, over traditional approaches.</p> <p>The need for clarity on the environmental improvement IPP is seeking to make.</p>	<p>Defining an operational framework for IPP implementation.</p> <p>Possible market barriers associated with the creation of IPP in individual member states.</p> <p>Problems associated with co-ordination of existing environmental policies.</p> <p>Challenge of securing consumer engagement and stakeholder involvement.</p>

### 3.8 Conclusions

This member state review and other empirical work have illustrated that:

- ⌘ member state rationales of the case for product policy are uneven, and most do not address the broad range of challenges which arise in considering IPP;
- ⌘ there is reasonable consensus about key principles and how IPP sits within the context of sustainable development programmes, but there is a lack of consensus about how to go about it, and where to start. As a result, there is already considerable diversity in action amongst active member states.
- ⌘ there are widespread gaps in knowledge about the potential benefits of pursuing IPP, and limited insight into the effect of previous product related measures on which to base projections of its future value. This is complemented by a broad conviction of the need to act.

These points alone argue the need for a clear Commission statement of an IPP vision, and a view on implementation. In addition, it should be recalled that:

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**MEMBER STATE ANALYSIS** *(Continued)*

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- ✱ a majority of member states are not yet active in this field at all;
- ✱ many member states, whether they are active in this area or not, are keen for the Commission to take a lead, either to spur those who have not yet taken action or to ensure that those who have taken action already can continue in a clearly defined framework which will apply consistently across the Community.
- ✱ policy makers and informed stakeholders in other countries, such as Canada and the USA, sense that the EU's thinking on this topic is more developed than their own at present. While they are concerned about the potential trade implications of a European IPP, they are also concerned that European firms' focus on issues such as eco-design, producer responsibility, and product management will give them competitive advantage.
- ✱ The gaps and inconsistencies in policy are not surprising given the relative newness of this as a domain of policy. The inconsistencies point to the risks of failure to take action at a European level, as the potential for barriers to trade to emerge is real in such a varied landscape. The Green paper provides opportunity for the Commission to demonstrate leadership by setting out a convincing statement of the need for and benefits from product policy.

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# VISION

# 4

## 4.1 A Future Vision

In the light of the member state review, we suggest that a statement outlining a future vision of IPP can be based upon a case that IPP is a more forward-looking and integrated approach to environmental policy that avoids some of the problems associated with traditional approaches. Rather than being seen as managing environmental risks and harms directly, environmental policy can be seen shaping the environmental profile of goods and services in the economy. Thus a principle of avoidance and adaptation, rather than one of mitigation comes to operate. A principal aim of policy could then be *to minimise the environmental burden - seen from a life cycle perspective - of final consumption*. Policy making and evaluation would take products or consumption as the starting point. The aim would therefore be to modify the outputs of economic activities, rather than dealing with its residuals - still the focus of much EU environmental policy. Many traditional approaches still take environmental harms as the starting point.

## 4.2 Limitations Of Traditional Policy Approaches

Measurable environmental harms are the starting point for traditional environmental policy. Put simply, the model implicit in much environmental policy includes the following steps:

- ⌘ scientific observation and analysis that reveals a risk to human or environmental health
- ⌘ appraisal of the risks and the options available for reducing them (technologically or otherwise)
- ⌘ formulation of policy measures for implementing one or more of these options
- ⌘ implementation and evaluation of the measures.

There are many complexities along the way, and a great deal of interaction between the different phases of the process, but the main observation is that problems to be tackled through policy are defined *by the environment* (or more specifically by a specific, frequently uncertain, understanding of an environmental problem). Options for dealing with each problem are framed in relation to that environmental problem.

Four major challenges are associated with this approach:

- ⌘ the contested nature of environmental problems;
- ⌘ the reactive nature of most environmental policy;
- ⌘ lack of integration between policy on different environmental problems, and
- ⌘ the focus on laggards, not leaders.

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## VISION (*Continued*)

### 4.2.1 *Contested environmental problems*

Many environmental and consumer protection problems are the focus for intense scientific and social controversy. Uncertainty and ignorance is a characteristic of many of these problems, so that the role of science, formal risk assessment and cost-benefit analysis are being questioned. Often strong interests are also at play that seek to shape assessments of environmental risk to their own ends. Establishing a clear and agreed-upon picture of environmental risks is therefore becoming more difficult. It follows that a policy approach based on environmental risk management will face increasing difficulties establishing a basis from which to make choices and decisions. This is not a new challenge, but it appears to be one which is becoming more serious for environmental policy.

### 4.2.2 *Reactive policy*

By assuming that environmental policy must be shaped by 'the environment', policy must always *de facto* be reactive. Policy comes *in response to* identified environmental risks. Attempts to ameliorate this problem - the precautionary principle, for instance - still assume that the main signal for policy action will come from an assessment of environmental risk. Controversies in environmental standard-setting are then centred around the degree of conservatism that is applied in the interpretation of the scientific assessments, and the scope that is left for unexpected outcomes. Even this form of anticipatory standard-setting can be regarded as a form of reaction against future contingencies.

### 4.2.3 *Lack of integration*

By taking its cue from the environment, environmental policy has traditionally been organised according to environmental categories: air, water, land. Even within these broad categories, multiple sub-categories have developed, each of them defined by and matched by particular policy instruments - acidification strategies, climate change policy, urban air quality strategy, for instance. Choices about standards, options and policy instruments are generally made within these categories, often without careful analysis of how they will interact with other sectoral policies. In an increasingly dense environmental policy context, these interactions become more complex and difficult to manage. This risks an uneven allocation of regulatory and economic resources in the pursuit of different environmental goals, and may lead to unintended trade-offs between different goals (since a set of actions for reducing one environmental risk may affect a set of actions targeted at a different risk - the classical problem of shifting burdens between media).

Recognition of this problem has led to two kinds of response. The first is to conduct more rigorous cost-benefit analyses during the policy formulation stage. The second is to implement more 'integrated' policy measures such as the directive on integrated pollution prevention and control (IPPC) and the eco-auditing and management scheme

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**VISION** (*Continued*)

(EMAS). Neither of these approaches is a perfect solution since there are no broadly accepted ways of judging the trade-offs that may exist between different environmental outcomes. Moreover, the scope of integration still remains across islands in the economic or environmental system. IPPC and EMAS do not take into account the whole life cycle of a product, but focus on each of the stages of the production system separately.

#### 4.2.4 *Laggards, not leaders*

Environmental standards are the result of a complex process of negotiation, learning and adaptation between regulators and regulated industries. Whether these standards are technologically specific (BAT standards) or framework objectives (Kyoto targets, for instance), they are the outcome of a balancing between what is desirable and what is possible. Although they are not described in this way, they result in setting *minimum standards* which firms, sectors and countries aim to meet. One of the results of this approach is that there is often substantial over-compliance following the implementation of policy measures. This is because there is heterogeneity of environmental performance among regulated agents (some firms perform relatively well, others perform relatively poorly), and because of unexpected outcomes as a result of environmental investments and management efforts leading to better than anticipated performance (*ex ante* estimates of cost often prove to be over-estimates, for instance).

The main point is that environmental standards push the behaviour of regulated agents *from below*. It is difficult to modify the approach so that it pulls the performance of producers and consumers *from above*. Even economic measures like tradable pollution permits, which aim explicitly to reward better environmental performance where this is economically efficient, are based on an allocation of pollution permits that includes the poorest performer. Permit allowances are likely to have the most marked impact on these poor performers, even as they provide incentives for better performers.

### 4.3 **IPP As A Response To Policy Challenges**

We have argued that traditional approaches to environmental policy face four major challenges which flow from the way in which policy problems are framed, i.e. starting from an identified environmental problem. Uncertainty and controversy over environmental problems, the reactive nature of environmental policy, the persistent lack of integration of policy, and the focus on laggards rather than leaders, are all seen as endemic and difficult to handle.

Integrated Product Policy remains focused on environmental objectives, but it does so from a new reference point. It begins with an objective of minimising environmental burdens of goods and services, *can be regarded as a response to each of these challenges*. First, by emphasising high standards and continuous improvement in the provision of goods and services, there may be an opportunity for avoiding some of the more debilitating policy debates that have surrounded the setting of environmental

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**VISION** (*Continued*)

standards. IPP attempts to shift the locus of attention away from *what is necessary* to satisfy possibly ambiguous environmental goals, towards the question of *what is possible*, given developments in technology and market demand. It cannot dispense with the difficulties of balancing environmental risks and benefits altogether because trade-offs and uncertainty about outcomes will always persist. But IPP is likely to reduce the number of these policy conflicts, and therefore to simplify environmental policy processes.

Second, IPP is proactive, against the background of certain minimum environmental product standards. By stressing innovation and excellence, the aim will be *to move ahead*, and to set challenging targets for eco-efficiency and better goods and services. This may, of course, include the substitution of goods by services. Environmental policy therefore realises a modernising potential, and searches for ways of reversing the responsive mode it often takes, where possible. Again, the argument is not that IPP can provide a means of avoiding a reactive approach altogether, but that it can change the balance in policy between being reactive and proactive. A similar argument can be made in relation to the problem of laggards and leaders. While IPP should devote attention to improving poorly performing products and eliminating the worst performers from the market altogether, the main stress would be on providing incentives for leadership firms to profit from being good performers, and on the dissemination of best practice.

Third, the problem of integration is dealt with head-on in IPP, which seeks to modify the environmental burdens associated with a good or service in a holistic way. This is discussed further below.

#### **4.4 Positive Rationales For IPP**

Beyond its potential to overcome some of the key challenges facing traditional approaches to environmental policy, a number of more positive rationales for IPP have also been identified. These are:

- ⌘ the growing importance of products as a source of environmental impacts;
- ⌘ the challenge of improving resource productivity;
- ⌘ the potential for substantial environmental benefits; and
- ⌘ the need for environmental policy to engage with the debate about sustainable consumption.

##### *4.4.1 Products as polluters*

Environmental standards-based policies have been primarily targeted at industrial processes (process-orientation). Mature regulatory regimes have been set in place over the past century or so, and these have achieved major improvements in environmental

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**VISION** (*Continued*)

quality. Concurrently, there has been decline in the relative importance of industry in economic activity, and a large growth in final consumption in highly developed economies. As a result, the final consumer has become a proportionately much larger contributor to the overall environmental impact of human activity. For instance, industry and households each contribute about 25% of greenhouse gas emissions in EU countries. The achievement of many environmental policy goals (particular attention has been drawn to the links between IPP and chemicals policy) therefore requires specific product-oriented actions. This is already acknowledged in a number of EU policy measures that already exist (the packaging waste directive, end of life vehicles directive and so on). In addition, the active engagement of stakeholders, as consumers, is an important facet of policy. The expectation must be that these tendencies will become more marked in future.

#### 4.4.2 *Resource productivity*

Process-oriented standards-based environmental policy has indeed ‘greened’ much industrial production. However, as many member state analyses have highlighted, this has been achieved against the background of continuous economic growth. While industrial production has been getting ‘cleaner’, the total amount of resources being consumed by economic activity has been growing. Today, developed economies are highly ‘linear’ (about 70 percent of resources pass through the industrial metabolism in periods of weeks and months) and are growing in absolute terms.<sup>4</sup> The significance of resource use and the production of waste residuals that are put back into the environment cannot always be judged in terms of measurable environmental impacts. What they show is that modern economies are wasteful and motivate resource flows that are comparable in scale to those caused by natural processes.<sup>5</sup> Managing the imprint of human activities is an important role for environmental policy.

Although efficiency improvements in industrial processes dampen the growth in resource use slightly, major changes are more likely when the total life cycle resource commitments associated with goods and services are progressively reduced. For instance, while incremental technical change may lead to yield improvements in the production of steel for use in cars, major improvements in the eco-efficiency of an automobile will come about only when the vehicle is considered as a whole (including the use of alternative materials like aluminium). An inter-linked set of technological, infrastructural and market changes, some achieved in the short-term, others involving longer time periods, are needed to achieve overall improvements in resource productivity. These system-level improvements in resource productivity are likely to be more effective if they are oriented towards the goal of providing goods and services at

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<sup>4</sup> See: WRI (2000) *Resource Flows 2000*, World Resources Institute, Washington DC.

<sup>5</sup> See: R. Socolow et al., *Industrial Ecology and Global Change*, CUP, 1995.

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## VISION (*Continued*)

lowest resource intensity, that is from an IPP perspective. Without this focus, action to improve productivity is likely to be diffuse and incoherent.

### 4.4.3 *Potential for environmental benefits*

There are also potential environmental benefits from an IPP approach. The first stems from a *greater integration* of policy. In particular, product-oriented policies (on energy, waste, ecolabels, public procurement and so on) have tended not to be integrated with each other, so reducing their effectiveness. There are also likely to be environmental benefits from the broader life cycle perspective taken by IPP, which seeks explicitly to consider different environmental burdens side-by-side. Greater transparency about the trade-offs inherent in achieving different environmental goals should improve the allocation of regulatory resources and offer greater predictability to industry. For instance, the control of chemicals in products may in some instances need to be balanced against the energy or other resource-saving benefits associated with their use.

The second stems from the greater potential for product innovation to generate environmental benefits. In general, especially in mature and well-established industries with slow rates of process change, product innovation provides the most important driver for improvements in the environmental profile of a product system. For instance, in the paper industry the development during the 1980s and 1990s of lighter, stronger paper was a major driver of change in the life cycle environmental performance of the industry. Encouraging product innovation can therefore be a more powerful means of achieving environmental performance improvement than the process and abatement changes typical of process-based regulation.<sup>6</sup>

But IPP also provides opportunities for going beyond the optimisation of existing product systems. In many cases, radically alternative means of providing a given service will exist, and these too can be selectively promoted through a product-oriented environmental policy. For instance, the more intensive use of information and communications technologies (via e-commerce for instance) may provide ways of dematerialising the provision of some goods and services. More simply, leasing and pooling products may offer more resource-efficient methods of providing the functions required by consumers. Many of these strategies will be adopted in competitive markets anyway, but there may be other applications that require support and promotion.

### 4.4.4 *Sustainable consumption*

Finally, environmental policy must respond positively to the emergent debate over sustainable consumption. By linking environmental impacts to the point of consumption, IPP provides a framework for doing this. Products provide the vehicle

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<sup>6</sup> See for example: F. Berkhout et al., *Sustainability, Competitiveness and Technical Change: Final Report to the European Commission, SPRU, University of Sussex, UK, January 2000.*

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**VISION** (*Continued*)

through which consumers secure their own welfare, while also embodying the environmental burdens of that consumption.

Two important considerations need to be borne in mind. The first is that all economic actors are consumers (producers consume raw materials) so that a concern with consumption broadens the scope of IPP. The second is that consumers (whether industrial or private) often have a rather constrained capacity to change their behaviours and are only indirectly responsible for the way in which they consume. Much consumption is done on behalf of consumers by others in the supply chain, in planning of infrastructures and so on. The consumer is 'situated' within social, technological and market boundaries, as well as the boundaries of their own knowledge.

There is no doubt that handling the sustainable consumption agenda will be difficult, since it runs up against the assumption of consumer freedom and sovereignty. Policy makers have traditionally sought to improve the efficiency and safety of products in the market, rather than influence the amount of consumption going on in the first place. Entering this domain without a clear threat to health or the environment to justify it will remain problematic.

On the other hand, a product focus can provide an opportunity for considering the social 'leg' of the sustainable development triad. Products are tied to behaviours and social and organisational values. They play a crucial role in providing the entitlement of different households or social groups to given lifestyles or livelihoods. Inequalities of entitlement to environmental resources underlie many of the social and political inequalities that persist in societies, nationally and internationally. A creative product-oriented environmental policy would find new ways of linking of linking to social concerns, in a way that environmental standards-based approaches have found difficult.

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# IMPLEMENTATION

# 5

## 5.1 An Approach To Implementation

Our terms of reference set out the need to identify ‘the added value of product oriented policy at European level’ and to assess ‘the role which member states might play within such a policy.’

The dynamic vision of IPP we have articulated implies that any effort, whether taken by the Commission or member states, should be focused on working with the market to encourage and promote innovation and dynamism amongst firms. As we have suggested, this effort should be directed towards achieving the goal of minimising the life cycle environmental burden of final consumption. In delivering this, consumers, industry and public policy makers all have a role to play.

The conclusions from our member state analysis enable broadly-stated roles to be defined where there would be value in European intervention. These roles are to:

- ⌘ provide leadership and diffuse good practice.
- ⌘ ensure that measures which focus on products are integrated, not only amongst themselves, but also with other environmental policy measures.
- ⌘ safeguard the internal market.
- ⌘ promote measurement and evaluation.

The added value which European intervention could bring is described in two ways. First, the analysis of member state activity highlights gaps which European action could fill. Second, where member states are already active, we suggest possible actions where European intervention would spread or support those initiatives now and in the future.

## 5.2 Providing Leadership And Diffusing Good Practice

To date, IPP policy frameworks have been developed most fully at national levels. However, there is inconsistency from one member state to the next and there is still a lack of awareness and understanding of IPP across the Community as a whole. The Weimar informal council in May 1999 reinforced the need to provide clarity on IPP, gave political impetus to the policy development process and mandated action from the Commission. Our fieldwork has consistently found support from national officials for the Commission to clarify the nature of IPP and the direction it might take in future. Our previous work found similar calls from industry and other stakeholder groups. These factors make clear the value, therefore, of articulating a vision of IPP at European level which clarifies its key principles and characteristics.

Publishing the Green paper will be a valuable first step. The current uneven pattern of knowledge and implementation across member states will persist in the short-term, which suggests there would be benefit in the Commission leading IPP development

IMPLEMENTATION (*Continued*)

rather than letting it develop incrementally at national level. Leaving development to member states is more likely to widen disparities than narrow them. The Green paper could therefore be a starting point for establishing the Commission as a key player in the future in shaping the product focused debate. A key part of this role would involve spreading good policy practice so that the lessons learnt in leading countries can be applied to positive effect in other member states. There is already evidence that member states are keen to share experience. Notable actions in implementing IPP, including those we have previously highlighted (product-oriented environmental management systems, product panels, and the market transformation approach) will be of wider interest across the Community.

Table 5.2 below summarises the ‘current state’ at national level and suggests possible actions where European intervention would add value in the area of leadership and good practice dissemination.

<i>National Level: Current State</i>	<i>Possible Actions Where There Would Be European Added Value</i>
The majority of member states are not yet active in this field.	<ul style="list-style-type: none"> <li>⌘ share experience, initially through the Green paper and subsequently through facilitating networks involving all EU member states, or supporting an IPP web-site.</li> <li>⌘ run conferences and seminars which build on those which the Commission has supported already<sup>7</sup>.</li> <li>⌘ spread good policy practice by disseminating information on notable national actions.</li> </ul>
National rationales for product policy are uneven and vary considerably from one member state to the next.	<ul style="list-style-type: none"> <li>⌘ define a vision which sets out aspirations and boundaries.</li> </ul>
There is expectation amongst member state officials that the Commission will clarify its role in this area, and there is support from various stakeholder groups for an over-arching policy framework.	<ul style="list-style-type: none"> <li>⌘ provide direction and targets in the Green paper for what integrated product policy is trying to achieve.</li> <li>⌘ respond favourably to the request from some member states following the Nordic IPP meeting in February 2000<sup>8</sup>, by agreeing to hold and facilitate discussions.</li> </ul>

<i>National Level: Current State</i>	<i>Possible Actions Where There Would Be European Added Value</i>
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<sup>7</sup> To date, one major Commission-supported IPP workshop has taken place, and ‘informal brainstorming’ meetings have been held with a small number of industry and environment / consumer representatives. These events were the IPP Workshop: Centre de Conférences Albert Borschette: 8 December 1998, and informal brainstorming meetings on IPP (1 and 3 June 1999).

<sup>8</sup> Nordic IPP meeting: Saltsjöbaden: February 9-10, 2000.

IMPLEMENTATION (*Continued*)

5

<p>There is no consistent sectoral focus across member states in the focus of their initiatives.</p> <p>At member state level, there is a lack of clearly defined product-specific objectives, but links are often drawn to national sustainable development strategies.</p>	<ul style="list-style-type: none"> <li>✎ integrate a product focus into the 6<sup>th</sup> EAP. There would be value in elaborating why particular product groups had been targeted for action, which might be based on linkages between agreed environmental policy priorities (such as climate change) and key products which contribute to the problem (such as the automobile).</li> <li>✎ support objectives with the development of indicators so that the impact of product focused initiatives can be assessed in future.</li> </ul>
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### 5.3 Delivering Policy Integration

A second area in which European product-oriented policy can add value, is by contributing to the Community's efforts to deliver policy integration. Given its life-cycle orientation and diverse stakeholder involvement, IPP is itself about integration; within and across product systems, between policy instruments, and amongst stakeholder groups. We believe there is an ongoing role for the Commission to ensure that consideration of product-related environmental impacts, from a life cycle perspective, is given to all relevant EU policy as part of the EU's approach to encouraging sustainable patterns of production and consumption. In this sense, IPP is an integral part of the Commission's response to the mandates from the Cardiff and subsequent European Councils to promote integration.

The Green paper on IPP is therefore an opportunity to reiterate the Commission's commitment to integration and to set out how this intention can be made effective in this area of policy. Many stakeholders, including member state officials, industry, and environment and consumer groups will want to know how the commitment to integration is going to be fulfilled and demonstrated. There would be benefit therefore in being transparent about how this will occur.

Integrated product policy provides many opportunities for the Commission to continue to demonstrate its commitment to integration. In our fieldwork we have come across examples of where integrated thinking is lacking. For example, we heard of dissatisfaction in some parts of industry with the WEEE directive's emphasis on recycling. The perception was that the directive's focus on recycling mis-directed effort and attention away from the advances being made by leading firms further upstream in the product life cycle. On policy integration, for example, we heard of the desire to position the EU eco-label within a broader strategy for environmental labelling. These are isolated but apposite examples of a much broader issue. The table below sets out possible actions which would demonstrate the commitment to integration within existing product measures. We cite these examples because there would be value in the Commission demonstrating an integrated approach within its own portfolio of product focused measures as a starting point.

IMPLEMENTATION *(Continued)*

<i>Table 5.3 Delivering Integration</i>	
<i>National Level: Current State</i>	<i>Possible Actions Where There Would Be European Added Value</i>
<p>Reasonable agreement exists that the key principles underpinning IPP are integration, market-based, and life cycle thinking.</p> <p>There is broad consensus about the importance of stakeholder engagement, involving many different groups.</p> <p>There has been relatively little involvement of non-environment ministries in the policy development process.</p>	<p>§ confirm the importance of these principles in the Green paper's description of IPP, and clarify how integration will be implemented in relation to DG Environment's own measures and across wider EU environmental policy. For example,</p> <ul style="list-style-type: none"> <li>– product information initiatives, including eco-labelling, could be supported in the context of a broad education and consumer awareness strategy.</li> <li>– position the EU eco-label within a broader strategy which encompassed type I, II, and III labels.</li> <li>– work with CEN to ensure that product standards become a tool which progressively tighten standards across the board and gradually eliminate the worst-performing products from circulation.</li> <li>– integrate product related environmental considerations into the EU's own procurement.</li> </ul>

#### 5.4 Safeguarding The Internal Market

We have noted that member states have driven IPP to date, and have introduced policy frameworks and initiatives. Given that most experience, resources, and mechanisms for consultation and implementation exist at national level, we consider that member states should have the key role in implementing the IPP agenda. They are best placed to take measures to support innovation within their own jurisdiction, provided they do so within the rules which govern the single market. The value of European involvement would be to set a framework, provide political support for innovative initiatives, and spread good practice, as we have described previously. For example, we do not at present see that there would be additional benefit in launching European-level initiatives such as product panels. It could, on the contrary, lead to less ambition than would be achieved by a national approach in which leading firms within a strong national market strove to achieve higher standards of performance as a source of competitive advantage. Organising panels on a European scale would also be time and labour-intensive.

However, given that most products are traded internationally, product specific measures at national level could result in barriers to trade. The agreement of product specific targets on recycled content, for example, or the development of national take back systems could erect barriers to trade. In its legal role as the champion and defender of

IMPLEMENTATION (*Continued*)

the internal market, the Commission has an important role to play to safeguard the internal market. The Commission's legal role here is of added importance given the nascent concerns amongst international trading partners about potential barriers to trade.

<i>National Level: Current State</i>	<i>Possible Actions Where There Would Be European Added Value</i>
<p>There is already considerable diversity across member states in implementing IPP, in terms of the approaches taken, priorities, and measures implemented.</p> <p>Some concerns exist internationally about potential barriers to trade, and as to whether European firms are gaining competitive advantage through developing product management initiatives.</p>	<p>⌘ intervene to safeguard the internal market if trade barriers arise.</p> <p>⌘ provide political support to innovative national initiatives which promote innovation and competitiveness.</p>

## 5.5 Measuring and Evaluating Progress

A further area in which there would be added value from European involvement would be to ensure that the impact of IPP as it develops can be measured and evaluated. Failure to create targets, indicators and monitoring mechanisms will lead to the difficulty experienced in the Global Assessment of the 5<sup>th</sup> Environmental Action Programme, where the lack of quantifiable targets and monitoring mechanisms has made evaluation very difficult.<sup>9</sup> The same paper recognises that the likelihood of integration strategies succeeding increases if indicators for monitoring progress and evaluating the effectiveness of policies are included. In this sense, therefore, the roles we describe of delivering on policy integration and measuring progress are mutually supporting.

The development of indicators is also important in product policy because its scope of influence is far more diffuse than traditional policy. Measuring the effect of a directive to reduce air emissions within a petrochemical plant, for example, is based on well-defined parameters and established techniques. Measuring the impact of providing better consumer information about the prudent use of detergents, on the other hand, is far less clear, involving different stakeholders, geographical diversity, and so on.

Developing a robust approach to measuring diffuse impacts of this type is challenging and it is not clear how to go about it or what indicators would be of greatest value. A useful step, therefore would be to improve knowledge through research under the 5<sup>th</sup>

<sup>9</sup> Europe's Environment: What Directions for the Future ? The Global Assessment of the European Community Programme of Policy Action in relation to the environment and Sustainable Development, 'Towards Sustainability'.

IMPLEMENTATION (*Continued*)

Framework Programme, and to draw on the small amount of experience which has been gathered at national level.

<i>National Level: Current State</i>	<i>Possible Actions Where There Would Be European Added Value</i>
There is growing recognition of the importance of products as a source of environmental impacts, but a lack of knowledge about how much environmental impairment is attributable to products.	<ul style="list-style-type: none"> <li>⌘ support research at European level via the 5<sup>th</sup> Framework Programme, to improve knowledge and develop an evaluation framework.</li> <li>⌘ work with the EEA to gather and assess data on issues such as the impact of product related measures at European level, or modelling trends in consumption and environmental impact.</li> <li>⌘ model and develop scenarios which enable hypotheses to be drawn about what impacts could be achieved through improvements in product performance. A useful example of this approach is the work done in the UK's Market Transformation programme.</li> </ul>
There is a lack in member states of robust evaluation of product related measures, even within the longest-established of eco-labelling programmes <sup>10</sup> .	⌘ highlight the importance of measurement and evaluation in the Green paper, both for Community-supported actions and for those taken at national level.

## 5.7 Concluding Remarks

Some of the roles we have suggested - providing leadership and diffusing best practice, and supporting effective policy implementation through integration - are common to those we recommended in our first report on IPP. Having reviewed developments in member states and other international fora, we consider these roles to be as valid now as when we first expressed them in 1998. Safeguarding the internal market and supporting measurement and evaluation are important functions which are of increasing importance as member states develop their agendas. To this extent, these roles are more important now than they were a number of years ago.

We have provided initial ideas for how the vision and approach to implementation we have described can be supported by practical action. The actions we have suggested are mostly enabling measures which help to build the European framework which interested stakeholders want to see.

We have argued that the Commission should work with the grain of the market and that IPP should seek to stimulate and reward innovation. The most immediate way in which

<sup>10</sup> 'Environmental Labelling of Consumer Products: Lessons from international experience for the UK Market'. Derek Smith (Ernst & Young) and Eric Johnson (Atlantic Consulting).

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**IMPLEMENTATION** *(Continued)*

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the Commission can help to do this is by clarifying the policy framework and setting out the orientation of IPP for the future. We have not advocated that the Commission dedicates its resources to implementing a portfolio of product focused measures itself. Member states are better placed to lead this. In future, there may be specific measures to take at European level, including possible regulation, which would help meet IPP objectives.

Our ideas for how European intervention can add value in implementing the vision and approach, lead primarily to enabling measures. They focus on setting aspirations and targets, in recognition of the fact that the implementation of IPP is likely to be a long-term and gradual process, where objectives need to be clear and effects need to be measured and evaluated. As this process of implementation unfolds, an important aspect of it will be consultation with stakeholders. This consultation and engagement can begin in familiar forms of networking, as we have suggested. In time, the dissemination of product related knowledge and information in the market is likely to increase through various forms of electronic commerce, such as electronic tendering and procurement.

# APPENDICES

## APPENDICES

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<b>A</b>	<b>Terms of Reference</b>	<b>35</b>
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## TERMS OF REFERENCE

## A

The terms of reference specified in our contract with the Commission are as follows:

- a) A brief analysis of existing policies and initiatives in the product area, building upon the study conducted by Ernst & Young and the Science and Policy Research Unit: “Integrated Product Policy: A study analysing national and international developments with regard to Integrated Product Policy and providing elements for an EC policy in this area”.
- b) Identifying existing justification for a product oriented approach at Member State level, focusing on those Member States where to date IPP has been most developed.
- c) Analysing the actual and potential benefits of a product oriented policy, taking into account the underlying principles of IPP, i.e. life-cycle thinking, stakeholder involvement and a market-based approach.
- d) Identifying the added value of a product oriented policy at European level and assessing the role of the Member States within such a policy.
- e) Proposing additional arguments for an Integrated Product Policy in the Community.

The contractor shall arrange at least two meetings with the Commissions project officer, at the start and conclusion of the project. The meetings will be held in one of the Commission’s buildings in Brussels.

The contractor shall provide two reports to the Commission; an interim report and a final report.