COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE FITNESS CHECK

Accompanying the document

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND TO THE COUNCIL


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Section 1 Executive summary

This fitness check covers two schemes that firms may voluntarily use: Regulation (EC) No 66/2010\(^1\) on the EU Ecolabel (the EU Ecolabel regulation) and Regulation (EC) No 1221/2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS) (the EMAS regulation)\(^2\). In line with the Commission's Better Regulation guidelines, the fitness check examined the schemes in terms of their relevance, effectiveness, efficiency, coherence and their EU value added.

In terms of the process, the Fitness check was supported by two separate evaluation studies that were supported by stakeholder-engagement including a public consultation for the EU Ecolabel and a focused stakeholder consultation for EMAS. This stakeholder consultation was particularly important because the comprehensiveness of the Fitness check exercise was limited to some extent by the voluntary nature of the schemes and the lack of data to quantify the schemes' impacts. The absence of a commonly agreed method to quantify and benchmark environmental performance of organisations and products also means that it is not possible to compare systematically products and organisations that are participating in the schemes with those that are not. Moreover, the Regulations did not define clear objectives for their uptake and therefore, it is not possible to evaluate quantitatively whether the schemes have delivered what was expected of them or not.

Nevertheless, the Fitness check allowed an assessment of the functioning and performance of the schemes, allowing conclusions to be drawn on what is - and/or isn't - working well.

The main findings about how the Regulations meet their objectives as identified and investigated through the Fitness check intervention logic are that they:

- □ contribute to reducing the environmental impact of consumption and production \((\text{general objective})\).

- □ contribute to promoting continuous improvements in the environmental performance of organisations and promote products with reduced environmental impact \((\text{specific objectives})\) through the EU Ecolabel criteria and through the environmental improvements observed in EMAS organisations \((\text{operational objective})\).

However this contribution is:

- □ Substantially limited by the level of uptake of EMAS and the EU Ecolabel by producers and organisations \((\text{operational objective})\) due to the limited awareness by external stakeholders including business partners, consumers but also authorities resulting in limited market and administrative/regulatory reward for participation as well as due to participation criteria that may in some cases be difficult to reach by EU industry.

- □ Limited compared to the overall breadth of the challenges to be addressed in terms of reducing the overall environmental impacts of consumption and production.

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\(^1\) Regulation (EC) No 66/2010

\(^2\) Regulation (EC) No 1221/2009
Despite these limits, the Regulations remain relevant as part of a package of EU policy responses to a growing need to change current consumption and production patterns, as reflected in current strategic policy objectives, including the Europe 2020 strategy\(^3\), the Roadmap to a Resource Efficient Europe\(^4\), the 7\(^{th}\) Environment Action Programme\(^5\) and the EU action plan for the Circular Economy\(^6\). Among EU policy tools, EMAS and the EU Ecolabel (together with green public procurement) are unique in that they aim to address the environmental impact along the whole life cycle, including the increasing number of impacts of European consumption that happens in countries outside the EU where products and materials are often produced and from which they are imported to the EU. For EMAS, there is a question over its future relevance as ISO 14001, revised in 2015, increasingly adopts many, but not yet all its main elements.

The Regulations have been partly effective as they ensure:

- Enhanced environmental performance for those products that carry the EU Ecolabel. However, the quantitative benchmark of environmental excellence (top 10-20 % of environmental performance of products on the market) cannot be verified due to the lack of an agreed methodology for comparison and in the absence of comprehensive data. Also, in some cases, when the validity of EU Ecolabel criteria is extended without a thorough analysis of the evolution of the market situation, the EU Ecolabel may no longer reflect environmental excellence.

- Enhanced environmental performance on the majority of the core indicators including on energy, water and CO2 for EMAS certified organisations. On the core indicators waste and materials the picture is mixed with more than 75% of EMAS registered companies experiencing a positive performance impact on waste and materials on one side and a negative average performance calculated from an a sample of reportings on the core indicators on the other. Studies show that EMAS generally delivers a better increase in environmental performance than ISO 14001.

However the overall effectiveness of the instruments is reduced by limited uptake:

- The uptake of EMAS and the EU Ecolabel which is not sufficient to drive the overall market and thus to achieve significant changes in overall consumption and production patterns and, through this, deliver significant environmental benefits beyond the companies and organisations deciding to be part of the schemes. The limits in uptake for both Regulations is due to a lack of awareness and market recognition; lack of recognition in public policy; and compliance and verification costs.

For the EU Ecolabel, there is: a lack of promotional activities, the number and stringency of criteria requirements, and the challenge of compliance with Article 6(6) prohibiting the use of hazardous substances. There are also significant differences in the uptake for different types of products, with several product groups having no - or only marginal - uptake, reflecting barriers for some specific product groups on one side, and on the other side a lack of a strategic approach for selecting for which groups to develop/revise criteria.

For EMAS additional barriers are: a lack of integration into public policy in the form of incentives and relief from other regulatory requirements ('
regulatory relief'), the

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\(^3\) COM(2010)2020 final
\(^4\) COM(2011)571 final
\(^5\) DECISION No 1386/2013/EU
\(^6\) COM(2015)614final
lack of promotional activities, and the existence of a globally recognized and less demanding environmental management system (ISO 14001) which is the market leader.

The effectiveness for both schemes varies between Member States with some achieving no or very low uptake while others - such as Germany and Spain with respectively 1882 and 1289 registered EMAS sites and France with 555 and Italy with 359 registered EU Ecolabel licenses - achieving better results. Such differences can be mainly attributed to the level of resources invested by Member States as well as to whether initiatives are taken to integrate the instruments into the wider set of environmental policies. For example, linking EMAS to rules on environmental inspections can provide an incentive to adopt EMAS and obtain ‘regulatory relief’\(^7\); likewise, Ecolabel can be incentivised through a link to Green Public Procurement.

The regulations can also be considered partly efficient in so far as the cost of running the scheme is relatively low:

- A rough estimate of the average annual cost to the European Commission is EUR 500 000 for EMAS and EUR 1 100 000 for the EU Ecolabel. These costs cover a system of 33 product groups, 2 000 licenses and 44 000 products for the EU Ecolabel and 4 000 organisations and 7 500 sites for EMAS.

- Significant differences in implementation efforts at Member States' level reflect differing evaluations of the cost/benefit ratio. Given their voluntary nature, the schemes cannot be considered to impose any disproportionate burdens on Member States or on companies and organisations, both of which invest in them only to the extent that they believe it is beneficial. However, low investment also leads to limited uptake and limited impact.

- For some EMAS registered organisations – especially those involved with energy production – energy efficiency measures can result in significant savings (according to the evaluation study this amounts to approximately EUR 1.3 billion for all EMAS registered organisations over two years).

However efficiency is reduced:

- When compliance and verification cost for individual companies and organisations outweigh the benefits and so reduce the value for producers and organisations and discourage their participation in the schemes. The impact of this is stronger with small operators. The uptake of EMAS compared to ISO 14001 is an unsurprising indicator that the experience of cost/benefits by organisations between the two schemes is different.

- Where there is low or no uptake of specific product groups. Under the EU Ecolabel a number of product groups have no or marginal uptake indicating that the market is immature and/or that the administrative burden or verification cost for compliance with certain set of criteria may be too high and act as a barrier for participation.

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\(^7\) Regulatory relief is understood as an ease in regulatory or administrative burden (such as frequency of environmental inspection, fast track procedures, lower fee or taxes etc.) resulting from compliance with EMAS.
Both schemes are considered to be **broadly coherent** with and complementing other relevant EU policies linked to EU Sustainable consumption and production. However, the evaluation points towards issues regarding the need to:

- Further explore synergies with EU policies that could make better use of the opportunities provided by the EU Ecolabel and/or EMAS including but not limited to the circular economy action plan, the development of the EU strategy for non-toxic environment, the Unfair Commercial Practice Directive, the Public Procurement Directive and the Industrial Emissions Directive.

- Address the overlap between the EU Ecolabel and the Energy Label, where synergies may be better exploited by aligning the different work-plans, and where having both labels for one product group may not always be the best option.

With regards to the coherence between the two schemes the evaluation shows that they are complementing each other with focus on different targets, but a slight overlap can appear when both EMAS and EU Ecolabel address specific service sectors – such as for tourism and camping. In this case care should be taken not create confusion for consumers that can choose based on both schemes.

The EU added value delivered by the schemes is uneven. The Regulations **delivered EU added value** to the extent limited by the voluntary nature of the schemes. Added value is delivered by providing a framework for harmonised rules and procedures across the internal market, which give credibility and transparency to environmental claims. The framework delivers information on the environmental performance of products and organisations and the opportunity for integration and streamlining with other EU policies. In this way, the framework supports producers and organisations that are willing to go beyond mandatory measures; including especially SMEs who would not have the internal capacity to build their own systems.

A full quantitative cost/benefit assessment has not been possible. However, the tools operate in a context of general public support for sustainable production and consumption: **77%** of the EU population surveyed for Eurobarometer indicated that they are willing to pay more for environmentally friendly products if they feel that the claims can be trusted. Whilst responses to the public consultations specific to these tools tended to come from those already actively engaged in the tools, they were also generally positive about them. For example, **79%** of the EU Ecolabel stakeholders found that the EU Ecolabel was a valuable tool to facilitate higher uptake and free circulation of green products across Europe and **95%** wanted to keep it either as it is or with changes. At the same time more than **70%** of all EMAS organisations surveyed found that they had improved or significantly improved performance on energy efficiency, use of materials, water consumption and waste production.

The uptake of EMAS is significantly lower compared to ISO 14001. However, the evaluation show that EMAS companies perform as good or better than ISO 14001 organisations in terms of environmental performance; that specific EMAS requirements such as transparent reporting and control by public authorities gives higher credibility and a better potential for integration into environmental policy. Evidence from the experience of a number of EU Member States, which have actively pursued this, confirms this potential.

However, because the schemes have not achieved major uptake across Europe it is difficult to demonstrate full EU added value beyond the environmental improvements for the products, services and organisations that participate. In particular, the impact of EMAS has suffered
from the competition with ISO14001 which provides an less demanding alternative to EMAS through harmonised rules and procedures for environmental management recognized at global level. Nevertheless, the interaction between the two schemes has been constructive and EMAS has inspired new and improved developments under the global ISO 14001 standard bringing it closer to EMAS although significant differences remain. EMAS, unlike ISO 14001 provides compliance and reporting platform that makes environmental performance of the organisation transparent to the public and authorities. This platform also has the capacity to facilitate the recognition of best performers by the authorities, the development of supportive measures and trigger a decrease of administrative burden. This capacity is explained by the fact that authorities and other third parties unlike with ISO are given access to and need to sign off information on environmental performance and legal compliance, thus providing sufficient security to delegate relief from other regulatory burdens.