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Surveys with the Enterprise Europe Network in the context of the preparation of the Sustainable Products Initiative

1. BACKGROUND

In the 2020 Circular Economy Action Plan[1] (CEAP), the European Commission announced it would come forward with the **Sustainable Products Initiative** (SPI), in order to make **products** placed on the EU market fit for a climate neutral, resource efficient and circular economy, reduce waste and ensure that the performance of sustainability frontrunners progressively becomes the norm – including by ensuring that products become more durable, reparable, energy and resource efficient, and by improving the quality and availability of information on their sustainability characteristics.

The CEAP also announced that SPI would build on the successful approach adopted under the existing **Ecodesign Directive**[2] – which currently applies to energy-related products only – and extend this to a much broader range of products, while reinforcing its requirements.

The SPI has been adopted by the Commission on 30 March 2022. It includes a Communication on making sustainable products the norm[3] and a proposal for a Regulation on Ecodesign for Sustainable Products (ESPR)[4]

In the context of the preparation of SPI, and in particular the drafting of the accompanying Impact Assessment[5], **two surveys** with the Enterprise Europe Network were held in the course of 2021, in order to gain a better understanding of the potential impact on SMEs of the measures under assessment:

1. A **first general SME survey** (26 April-15 June 2021): the objective was to gather the views of SMEs in a focused manner, following initial input received

[1] COM/2020/98 final, available at:
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2020%3A98%3AFIN
[2] Directive 2009/125/EC, available at:
https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32009L0125
[3] COM(2022) 140 final, available at:
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2022:140:FIN
[4] COM(2022) 142 final, available at:
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2022:142:FIN
[5] SWD(2022) 82 final, available at:
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD%3A2022%3A82%3AFIN

from them via an Open Public Consultation on SPI[6] held earlier in 2021. As part of this survey, a tailored SME questionnaire was developed, focusing on topics of relevance for SPI, including *company environmental/social impact and engagement in sustainable products*, *circular business models*, *economic and reputational incentives for product sustainability*, *Digital Product Passports* and *management of unsold consumer products*.

2. A second **targeted SME survey** (20 October-4 November 2021): this survey built on the results of the first general SME survey outlined above, and drew primarily on the knowledge and expertise of Enterprise Europe Network contact points, as well as other SME representative bodies. Respondents were requested to reply on behalf of the SMEs that they represented, based on their familiarity with SMEs and their business practices.

2. SHORT SUMMARY OF THE RESULTS OF THE SURVEYS

A. *First general SME survey (26 April-15 June 2021)*

a. Responses

This survey received 332 responses, with 90% of the respondents being Enterprise Europe Network (EEN) members. Over 50% of the respondents were located in four EU Member States: France (15%), Germany (15%), Poland (15%), and Romania (12%). In total, respondents from 17 different countries were represented.

More than half of the companies who responded were active in industry (56%), followed by services (21%) and wholesale and retail trade (11%). 43% of the companies dealt with final products, 11% with intermediary products and 40% with both.

41% of the responding SMEs operated across EU Member State borders, followed by national level (29%) and local/regional level (29%). 8% were self-employed (0 employees); 35% were micro (1-9 employees); 32% were small (10-49 employees); and 24% were medium sized (50-249 employees).

b. Main findings

In general, the survey found good levels of SME engagement in, and awareness of, in the sustainable product transition. Most could estimate their environmental and social impacts at least to some extent, and almost half reported they were introducing more sustainable products on the market frequently, or almost always. Respondents were less frequently engaged in innovation concerning circularity, social aspects or ecodesign of products, however.

Respondents considered regulation, incentives, and sufficient access to financing as keys to fostering **circular business models** amongst SMEs.

In relation to **incentives for fostering sustainable products**, respondents judged direct subsidies and other financial incentives (e.g. tax exceptions/VAT reductions) to be most effective, and procurement measures (such as green public procurement etc.) to have average/limited benefits. Eco-labelling based on environmental impact of products and

[6] https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12567-Sustainable-products-initiative/public-consultation_en

services, as well as sustainability labelling based on environmental, social and circularity impact, were expected to have high benefits as reputation incentives.

Respondents expected the introduction of **Digital Product Passports** to have some positive environmental impacts, and to increase consumer empowerment due to greater availability of product information. They expected increased administrative burden due to higher monitoring and reporting obligations to be the main economic impact for businesses, but this was followed by expected increased economic returns and decoupling of economic growth from environmental impact in the EU.

In relation to the handling of **unsold consumer products**, respondents indicated they were most likely to systematically discount the price until sold or to recover materials from unsold products, and were least likely to send them to be incinerated or landfilled, or to send them back to suppliers (or manufacturers).

B. Targeted SME survey (20 October-4 November 2021)

a. Responses

The targeted survey received 35 replies. Responding organisations indicated they were located in the following EU Member States: Belgium, Denmark, Germany, Spain, Italy, Poland and Portugal.

b. Main findings

While the findings of this survey pointed to possible negative impacts for SMEs linked to the implementation of a number of measures analysed in the context of the Impact Assessment (such as reinforced product and information requirements), it also pointed to the possibility that certain benefits for SMEs could accrue from such measures, and bring added value for these companies over time (for example via lower material costs; increased reputational benefits; better access to the market for greener products; strengthened customer loyalty etc.).

Respondents also indicated that appropriate support – such as dedicated SME provisions in the legal text (e.g. consideration of longer transitional periods for SMEs, or simplified procedures) could be effective in offsetting negative effects for SMEs, assisting them in adapting to the new rules, and helping them to draw maximum benefit from them.

→ *Please see Annexes 2, 12 and 19 of the SPI Impact Assessment*[7] *for more details on both of the surveys outlined in this section.*

a. OUTCOME

The findings of the two surveys carried out with the Enterprise Europe Network provided useful indications of the expected impact of the measures that were considered by the Commission in the context of the SPI impact assessment.

[7] SWD(2022) 82 final, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD%3A2022%3A82%3AFIN

The Commission used this insight to reflect on ways to mitigate the expected negative impacts on SMEs. This reflection was outlined in broad terms in Annex 19 of the SPI impact assessment.

Based on this, concrete mitigation measures for SMEs were included in the **SPI legislative proposal**[8], which was finally adopted on 30 March 2022. Examples of such concrete mitigation measures include:

- **Dedicated SME article in the legal text** (Article 19): this requires Member States and the Commission to take to help SMEs with the general implementation of the proposed regulation, and the future product-level rules that it will lay down, including via guidelines, financial assistance, training and other means;
- **Targeted exemptions for SMEs**: where justified, to relieve burden and ensure proportionality (e.g. in Article 20, which related to the prevention of destruction of unsold consumer goods).

Finally, given that concrete products rules under the SPI legislative proposal will only be laid down in a second stage, via secondary legislation, the Commission is committed to examining whether the impacts of such rules are proportionate for SMEs, and whether accompanying mitigating measures are possible, each time such rules are being prepared. Targeted stakeholder consultation, including of SMEs, will also take place in this context.

[8] COM(2022) 142 final; https://ec.europa.eu/commission/presscorner/detail/en/ip_22_2013