

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

European Committee A

EU ACTION PLAN FOR THE CIRCULAR ECONOMY

Monday 7 March 2016

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Friday 11 March 2016

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The Committee consisted of the following Members:

Chair: GRAHAM STRINGER

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| † Cunningham, Alex (<i>Stockton North</i>) (Lab) | † Shelbrooke, Alec (<i>Elmet and Rothwell</i>) (Con) |
| † Drummond, Mrs Flick (<i>Portsmouth South</i>) (Con) | † Spencer, Mark (<i>Sherwood</i>) (Con) |
| † Fitzpatrick, Jim (<i>Poplar and Limehouse</i>) (Lab) | † Stewart, Rory (<i>Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs</i>) |
| † Kinnock, Stephen (<i>Aberavon</i>) (Lab) | † Sunak, Rishi (<i>Richmond (Yorks)</i>) (Con) |
| Lewis, Mr Ivan (<i>Bury South</i>) (Lab) | |
| † Miller, Mrs Maria (<i>Basingstoke</i>) (Con) | Joanna Welham, <i>Committee Clerk</i> |
| † Morris, Grahame M. (<i>Easington</i>) (Lab) | |
| † Newton, Sarah (<i>Truro and Falmouth</i>) (Con) | † attended the Committee |

European Committee A

Monday 7 March 2016

[GRAHAM STRINGER *in the Chair*]

EU Action Plan for the Circular Economy

4.30 pm

The Chair: I will briefly outline the procedure. First, a member of the European Scrutiny Committee may make a five-minute statement about the Committee's decision to refer the documents for debate. The Minister will then make a statement of no more than 10 minutes, during which interventions are not allowed. Questions to the Minister will follow. The total time for the statement and for the subsequent questions and answers is up to an hour. Once questions have ended, the Minister moves the motion on the Order Paper, and debate takes place on the motion. We must conclude our proceedings by 7 pm.

Does a member of the European Scrutiny Committee wish to make a brief explanatory statement?

4.31 pm

Stephen Kinnock (Aberavon) (Lab): I am better late than never, Mr Stringer. It is a pleasure to serve under your chairmanship.

It might be helpful to the Committee if I take a few minutes to explain the background to the documents and the reasons why the European Scrutiny Committee recommended them for debate. The Commission has long attached considerable importance to the more efficient use of resources within the European Union, and in July 2014 produced a communication on a zero-waste programme. That has now been superseded by a further communication setting out an action plan for the circular economy.

The action plan focuses on steps that can be taken at the EU level, including the design of products, consumer choice, waste management and the reuse of raw material. It also considers in more detail certain priority areas. The plan is accompanied by a number of proposed directives, set out in the other documents before us today, which would amend existing EU legislation on waste disposal, as well as on landfill, packaging and packaging waste, end-of-life vehicles, waste batteries and waste electrical equipment. Those include more stringent recycling targets and restrictions on the quantities of waste sent to landfill.

The Government note that many of the measures identified are already being taken forward by the EU and the member states and they stress the importance of any new legislation complementing, rather than duplicating, measures taken by individual member states. The Government have welcomed the broad direction of the action plan, which they see as adopting a more joined-up approach than that in the 2014 communication, but say that the likely costs, although difficult to assess, could be considerable and have an impact on a wide range of interests, including individual households. In addition, the Government have expressed a couple of subsidiarity concerns regarding provisions of the

waste framework proposal relating to extended producer responsibility or “pay as you throw”, although the European Scrutiny Committee found that such concerns had not been set out fully.

The European Scrutiny Committee noted that the proposals are wide ranging and raise a number of important issues relating to their practicality and affordability, as well as to subsidiarity. It considered that today's Committee would be a timely opportunity for the House to address that. It therefore recommended the documents for debate in European Committee A.

4.33 pm

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Rory Stewart): It is a pleasure to serve under your chairmanship, Mr Stringer. I thank the hon. Member for Aberavon for his opening statement.

We are proud to be part of the discussion on the circular economy package. The circular economy is something that matters greatly to the United Kingdom Government and it is good to see the European Union taking it forward. The package is important because we are trying to deal with a world in which our resources are being depleted all the time and the global population is rising steeply. We need to think about a circular economy—an idea that has been around since the early 1970s—in terms of how we manage those resources. We need to think about sustainability and whether we want to have a low-carbon economy. We may want to think particularly about price volatility. Do we want a circular or zero-waste economy, to use the hon. Gentleman's words, perhaps because we are worried about scarcity of commodities and future prices and want to hedge against them?

For all those reasons, we must consider three basic categories: production, consumption and waste. Beginning with production, we have to think about eco-design—ensuring that products are better designed to be durable, so that they do not need to be thrown away so quickly, repairable in a way that most of our mobile telephones are not, and easily dismantled. If, for example, we are trying to extract precious metals from a BlackBerry, an iPhone or a flat-screen television, is it easy to get into them?

The second category is consumption. What can we do as the European Union and as individual Governments to improve consumer behaviour? It is partly about education and partly about ensuring that people actually care about recycling and the environment, but it is also about having single standards—ensuring that a guarantee on a television, for example, is worth the paper on which it is written and that claims made for the environmental origin of products are valid. If it is claimed that a table is made from sustainable timber, it should actually be made from sustainable timber, and people should be able to explain what on earth “sustainable timber” means.

The third category is what we actually do with our waste in the end. That relates to recycling, incineration, landfill and how we implement policies to make those things easier. The hon. Member for Aberavon has put his finger on some of the controversial aspects in the package. One is the question of “pay as you throw”. In Flanders in Belgium and in Germany, for example, people pay for the privilege of throwing away their

waste. They can do so in a couple of ways: the waste can be weighed, or people can simply buy a bin bag for a couple of euros. That disincentivises people from putting too much into landfill. One question that we are debating today is whether the European Commission should ordain that member states implement a “pay as you throw” system, or whether it can be left to member states to determine whether it is acceptable to their council rate payers and voters and, if it is, how to achieve the targets.

The final situations with which the regulations deal are quite specific. They relate to amendments to slightly grisly European Union directives such as the landfill and the packaging directives, to how we deal with plastics and biomass and to how we recycle wood. They particularly relate to precious and rare metals and how we might extract them from the system, and to the important matter of how we deal with issues such as incinerator bottom ash, compost and how we recycle such secondary stuff. That is a series of good, challenging issues, and it is great that the Commission has put in a lot of work and thought.

I pay tribute to the Commission, to the Ellen MacArthur Foundation and the McKinsey Centre for Business and Environment, which did a lot of the work that underlies the measures. It is a good model for us in the British Government to consider, but as the hon. Gentleman pointed out, there is a reasonable series of discussions about how much of this action needs to be ordained and micromanaged from a European level and how much of it could be left to national Governments to resolve for themselves.

The Chair: We now have until 5.33, an hour after the start of the Minister’s statement, for questions to the Minister. I remind Members that they should be brief. It is open to a Member, subject to the Chair’s discretion, to ask related supplementary questions.

Mrs Maria Miller (Basingstoke) (Con): It is a pleasure to serve under your chairmanship, Mr Stringer, and to have listened to the hon. Member for Aberavon and the Minister introduce the debate. I have two simple questions. The first involves the recycling industry in the UK. Many local authorities, such as mine in Hampshire and that of my hon. Friend the Member for Portsmouth South, are looking for more certainty about the future of recycling. Bearing in mind the problems local authorities have with getting contracts to recycle Tetra and other materials, what work are the Government doing to provide more certainty for the recycling industry so that more products can be recycled?

Rory Stewart: I thank my right hon. Friend for her question. The first key element is that to create a real recycling economy, we need certainty, vision and clear targets. If Hampshire County Council or, for example, South Gloucestershire Council wants to make the requisite investments in recycling facilities or trucks, it would be really helpful if we could move from the more than 300 different systems we currently have throughout the country towards a more harmonised system. If a critical mass of councils were collecting Tetra and separating their waste into its component parts, it would be much easier for the environmental industry to make bigger long-term investments.

Secondly, we need to ensure that Hampshire County Council works more closely with some of its neighbours. There are some fantastic examples in South Gloucestershire, South Oxfordshire and Surrey. I would like to see the development of clusters—perhaps a London cluster, perhaps one around Hampshire—that can think about what best practice is and how to get the economies of scale. That does not necessarily mean one company collecting all the waste across many counties, but it almost certainly does mean developing simple systems in which, in a highly mobile population with people moving from one local authority area to another, people at least know what to do, rather than having to re-learn the rules of the bespoke system in every area.

Mrs Miller: My second question is on energy recovery. In Hampshire, only 7% of waste is disposed of in landfill because there is extensive use of energy recovery. The by-product of energy recovery is incinerator bottom ash, which is currently not counted towards recycling targets in England, whereas it is in Wales and other parts of the EU. The proposals before us do not recommend a change to whether bottom ash is counted, although they do recommend a change for metal-related bottom ash. Does my hon. Friend the Minister agree that we have an opportunity to include bottom ash in our recycling targets so that we are more likely to get the increased recycling rates that we need and, indeed, that I know the Minister wants?

Rory Stewart: There are two issues: a past one and a future one. Incinerator bottom ash was not included in recycling targets in the past because it is not, in the narrow sense of the word, recycling. Glass, for example, is taken and turned back into glass; with incinerator bottom ash, a product is destroyed and something else—generally a cinder block—is generated, and that is normally seen as recovery rather than recycling. However, as my hon. Friend pointed out, Wales, in a domestic context—it is not allowed to do this in an EU context—does count incinerator bottom ash as recycling, as does Germany.

There would be a good circular economy argument for why we might want to include incinerator bottom ash in recycling targets. If it is being reused, that is certainly a product going back into use. So to take up my right hon. Friend’s challenge, the Government undertake to look closely at the idea. Over the past few weeks we have asked officials to begin to examine it more closely, along with the potential for extracting precious metals from incinerator bottom ash. There is potential for fantastic trade between Britain and Holland, which might result in many hundreds of tonnes of precious metal being extracted. As my right hon. Friend pointed out, that could make a significant contribution to our recycling targets.

Finally, I pay tribute to Hampshire council, because 7% of waste going to landfill is a fantastic figure to have achieved. The EU has set a target of getting under 10% by 2030, so Hampshire’s achieving 7% is worthy of admiration throughout the country.

The Chair: No more Members wish to ask a question, so we will proceed to the main debate.

Motion made, and Question proposed,

That the Committee takes note of European Union Documents No. 14972/15 and Addendum, a Commission Communication: Closing the loop—An EU Action Plan for the Circular Economy, No. 14973/15 and Addenda 1 and 2, a Proposal for a Directive amending Directives 2000/53/EC on end-of-life vehicles, 2006/66/EC on batteries and accumulators and waste batteries and accumulators, and 2012/19/EU on waste electrical and electronic equipment, No. 14974/15 and Addenda 1 and 2, a Proposal for a Directive amending Directive 1999/31/EC on the landfill of waste, No. 14975/15 and Addenda 1 to 3, a Proposal for a Directive amending Directive 2008/98/EC on waste, and No. 14976/15 and Addenda 1 to 3, a Proposal for a Directive amending Directive 94/62/EC on packaging and packaging waste; and supports the Government's continuing efforts to amend these proposals in order to secure measures increasing resource efficiency and reducing waste whilst avoiding costs to business, householders and Local Authorities which are disproportionate to environmental and economic benefits.—(*Rory Stewart.*)

4.45 pm

Alex Cunningham (Stockton North) (Lab): It is a pleasure to serve under your chairmanship, Mr Stringer. I am pleased at the opportunity to speak about the documents before us today.

The documents appear to move in the right general direction and offer no real controversy for any decision in Committee, but that is not to undermine or undervalue their importance. As has been said, the European Commission has long been looking at the efficient use of resources and the central means of achieving the aims of the Europe 2020 strategy. A number of steps have been taken in recent years.

As outlined by the Minister, the Commission's thinking is that a transition to a more circular economy, where the value of products, materials and resources is maintained as long as possible and the generation of waste is minimised, is an essential element of EU efforts to develop a sustainable, low-carbon and resource-efficient economy throughout Europe. I do not think that any of us would disagree with that particular ambition of the EU. Indeed, the fact that the Commission withdrew the previous circular economy package in December 2014 to present a "more ambitious" strategy in late 2015 would appear to confirm that goal.

The new circular economy package that we are considering, adopted by the Commission in December 2015, looks like a candid effort to stimulate Europe's transition towards the circular economy. Consisting of an action plan, timetables for completion, and various legislative proposals and revisions in a number of areas to achieve those goals, the package examines steps that may be taken at each stage of the value chain, looking specifically at both product design and efficiency of the production process, as well as such factors as the impact of consumer choice, waste management and the reuse of secondary raw materials.

I know that the Minister has already talked about such considerations, but they are often not at the forefront of the minds of consumers or producers. With a new package in place, however, I very much hope that they soon will be and that many more organisations and individuals will recognise what we see to be the duty of us all. Given the increase in waste per UK person from 402 kg in 2013 to 413 kg in 2014, we face more waste going to landfill rather than recycling.

EU analysis suggests that further progress on resource efficiency is possible and identifies major environmental, economic and social benefits to greater efficiency. To that end, the Commission has identified net savings of as much as €600 billion for businesses in the EU, or 8% of annual turnover. That is quite a lot of money. Furthermore, the new package could reduce total annual greenhouse gas emissions by as much as 4%, which would be a major contribution to climate change measures.

Putting in place stronger measures to close the loop and create a circular economy by transforming waste into a resource is an essential part of necessary increases in resource efficiency if the European Union is to achieve its ambitious goals. Moves in that direction are certainly to be welcomed. However, that is not to say that the revised package is perfect. For example, in 2013 total waste generation in the EU was estimated at 2.5 billion tonnes, of which 1.6 billion tonnes were not reused or recycled. That amounts to a loss to the European economy, and a significant missed opportunity to improve resource efficiency.

I have already made clear my belief that making the transition to a more circular economy offers a key opportunity to generate new and sustainable competitive advantages for a stronger Europe. I am sure that the Minister and other Government Members will concur. We know, however, that only 43% of municipal waste generated in the Union are being recycled, leaving 57% to be dumped in landfill or incinerated. I wonder whether reducing the target for reuse and recycling of municipal waste—down from the previous goal of 70% to 65% by 2030 now—sends the right message.

Moves to limit the landfilling of municipal waste to 10% by 2030 identify a clear and tangible target, but 18 member states in 2013 sent more than half their waste to landfill. Some actually exceeded 90% landfill rates, highlighting perfectly the need to strike the intricate balance between ambition and achievability. The EU has set a 50% recycling target for household waste by 2020. I am sure that the Minister will agree that that is positive, but does he believe it to be ambitious enough? Even so, we need to be clear about our own ambitions, not just because we feel the need to satisfy EU targets, but because we believe in the benefit of that circular economy and value the impact on our environment and economy. To understand that, I have a few questions for the Minister.

How will the Government ensure that the plan is implemented in the UK? While some authorities—particularly those in Conservative areas—are getting some respite from the Government's cuts agenda, many are not, so their resources to drive their part of the plan are extremely limited. Business has also been hard hit in many areas—none more so than the north, where the floods of the past few months were at their worst.

How will the Government ensure that all local authorities have the resources to play their part in the circular economy? Some make a small profit from recycling—Stockton, my authority, is one of them—but many do not. The Minister has said how he favours a more consistent approach across authorities, so will he talk a little more about how he believes that can be achieved so that we can have more streamlined systems?

What provisions will be put in place to ensure new responsibilities placed on business do not become a burden rather than help them benefit? What will the Minister do at a European level—he will be Minister for

Europe, next—to ensure that our neighbours, some of whom have a comparatively poor record in such areas, play their part in delivering the action plan? What plans does he have to report progress against the plan to Parliament?

All that said, no doubt the process is not straightforward, so much future tweaking will be needed around the edges of any future regulations and directives as we learn collectively what works and what does not. That learning and the building of institutional knowledge across all member states will put us in a strong position to make positive steps towards building a Union-wide green economy that is both sustainable and efficient. I look forward to hearing the Minister's answers and to learning how he plans to ensure not only that the measures are properly adhered to and enforced, but that the all-important ambition for such a transition remains very much alive throughout the EU, with every state playing its part.

4.52 pm

Rory Stewart: I thank the hon. Gentleman for his speech. Of the numerous issues he raised, I think there were three central ones. The first is resources for local authorities to ensure that they can achieve their objectives, which is an important point. The second is businesses and in particular how we ensure that we get things right for them. The third is what we can do to ensure that we engage with other countries through the European Union's framework.

The hon. Gentleman was absolutely right to raise the resources challenge. As he pointed out, councils such as Stockton have managed to extract a profit from recycling. In ideal circumstances, things can be done. Huge savings can be made from reducing the amount councils send to landfill because they will not have to pay landfill tax and, if they get separation right, it is possible to generate income from the different components being recycled. However, that is not always easy, particularly in remote rural areas and sometimes in certain urban contexts: some people living in apartments are reluctant to separate waste because they simply do not have the room to do it.

The answer is to work more closely on harmonisation. Our initial work in London has led us to believe that if we could have a harmonised recycling system in London, local councils could save between £19 million and £20 million a year. In the case of London, increasing recycling rates would not just be good for the economy but save councils money.

Furthermore, if we are sufficiently imaginative and reach out to the industry by getting the economies of scale, we should be able to drop the charges imposed by companies, who should be able to use a standard fleet to collect waste. At the moment, any number of different trucks are driving around and there are any number of different bins. Some trucks are able to collect only commingled waste while others attempt to separate, but there are problems with crushing plastic as opposed to preserving glass. If we can sort that out through a more harmonised system, that should deliver savings and not impose costs on individual councils.

Alex Cunningham: The Minister has already talked about the challenges in different parts of the country. London is a close, tight-knit part of the world, which

makes things easier, but there is a real issue in rural areas. What will happen to targets for rural as opposed to city local authorities? Will they be different?

Rory Stewart: Our objective is to deliver the EU target of 50% by 2020 and then to move on to the targets for 2030. To provide a real challenge to rural areas and to show that it can be done, Wales is showing an extraordinary improvement. The Welsh approach to recycling has very quickly driven recycling rates from the mid-40s per cent. up to the mid-50s per cent., and that is despite working in some of the most challenging geography in Britain. My gut instinct, therefore, is that if Wales can pull it off, we can do better in other rural areas in Britain.

The second issue raised by the hon. Member for Stockton North was to do with businesses and how much they pay. We have to get the balance right there, too. In Germany, for example, the equivalent of Tesco pays to collect the packaging of its own products, which can cost a great deal of money—some estimates of what businesses collecting their own packaging are spending total billions of euros a year. In Britain, instead, we have adopted a producer responsibility, or PR, system of tradeable credits in recycling in which the collecting is done by the local authority, but the businesses pay for the credits. At the moment, we believe that to be a more cost-efficient and economical system. We continue to focus on that model, although it might need to be tweaked to deal with some of the volatility of prices.

The third question was about what we can do to reach out to other countries. That is a two-way street. Sometimes it is a matter of us learning from other countries. As the hon. Member for Aberavon knows, Denmark leads us by a long way on this. On Friday, the Danish Environment Minister told me at the Environment Council that the Danes had got their landfilling down to 1.3%. I can hardly believe that to be true, but if it is, we have an enormous amount to learn from Denmark—that is an impressive figure. I was just congratulating Hampshire on 7%, but 1.3% is really going some. As the hon. Member for Stockton North pointed out, however, other member states—often those that have joined the European Union relatively recently—have landfill rates up at the 70% or 80% mark. Clearly, things can be done to share best practice with those states.

To conclude, the areas that we probably want to focus on include food waste—an issue on which the hon. Member for Bristol East (Kerry McCarthy), the shadow Secretary of State, has led a great deal. It is becoming more and more urgent for the public. People care more about food waste, and the days, 10 years ago, when people complained about slop buckets are going: people feel a moral obligation to deal with food waste, and councils that offer separate food waste collection are popular. We need to get better at that.

As far as the second thing that we need to focus on is concerned, we can take some satisfaction in where we have got to: Britain has taken household recycling rates from 11% to 45% since 2000. Getting to the point where we are recycling almost half our waste is relatively impressive. It is striking how attitudes are changing through all generations; people seem to be more comfortable and at ease with recycling.

Finally, we need to be practical. On Thursday, I was talking to the Dutch Government about something called the North sea resource roundabout, which is a

[Rory Stewart]

new, voluntary initiative of the sort that we should be pursuing more—it is not the EU regulating, but a voluntary approach.

We have fantastic agreements going with Holland on moving bottom ash from Britain to Holland, where there is a much more sophisticated recycling process to extract metals, and on moving compost from Holland. The Dutch have a lot of manure coming out of their animals, but do not have much use for it, so we are moving it to Northumberland, where we can process it into fertiliser. Finally, we are also working with Flanders on the issue of chemicals in plastics.

In every case, concrete issues of shipping routes, costs, definition of waste—how waste is defined affects whether we are allowed to transport it across international bodies—and the way in which waste is counted are involved. As my right hon. Friend the Member for

Basingstoke pointed out, how waste is counted affects whether people are incentivised to collect bottom ash.

If we can get such things right, we will see a revolutionary change moving towards what we want: a natural capital approach, making sure that things that are not counted, that the market does not recognise, are properly captured—the value in not only the primary products, but the secondary products coming out of the bottom of incineration. We will then protect our environment for the future and create an economy that is sustainable, low carbon, efficient and impervious to shocks from the global volatility of commodity prices. Such an economy will achieve what we want, which is a more prosperous and a more environmentally friendly future.

Question put and agreed to.

5 pm

Committee rose.