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PRODUCT POLICY IN SUPPORT OF ENVIRONMENTAL POLICY

SUMMARY FINAL REPORT

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I. OBJECTIVES

The objectives of the project were:

- To make an inventory of environmentally oriented product-policy instruments in the EU and its Member States.
- To study selected product policy instruments with a significant environmental orientation and to evaluate them with respect to their environmental effectiveness and economic efficiency.
- To develop strategic proposals for the optimisation of product policy instruments, especially those that would incite enterprises to develop relevant product development strategies.

II. METHODOLOGY

The information for the country studies has been collected in various ways. The major source consisted of official publications: policy documents, acts and decrees (including explanatory memorandums), and the like. Furthermore, all relevant journals and periodicals have been searched for articles relating to product-oriented environmental policy. These articles often contained references that disclosed further details.

Another major source of information has been interviews with key persons in public administration, industry, and various interest groups (environmental and consumer organisations, trade unions etc.). The identification of these key persons was not always an easy task. The concept of product-oriented environmental policy is still an unfamiliar one, and in most organisations there is not a single person or group of persons responsible for, or dealing with this policy area.

During the interviews, attention was paid not only to the policy instruments currently being applied, planned or discussed, but also to the opinions of the interviewees on the effectiveness, efficiency, feasibility and acceptability of the instruments in question. These opinions have been included after the description of each instrument.

The collection of information has been performed partly by the research contractors themselves, and partly by subcontractors (in France, Greece, Ireland, Italy, Luxembourg, Portugal, Spain, United Kingdom). In Switzerland, an institute carried out a similar study which was financed by the Swiss government.

The research methods used in the case study on selected instruments and products groups encompass

- studying information gathered in co-operation with correspondents and subcontractors in different countries and
- exploitation of expert information and available documentation.

Interviews with key persons (scientists, representatives of industrial, consumer and environmental organisations and of governmental institutions) have been conducted in this context. Additionally, information from producers of the selected products has been collected via questionnaires. In the case study on public procurement, surveys have been conducted among governmental institutions at various levels.

The final step of the project was based on an analysis of the state of the art of environmental and/or economic sciences and their evaluation of current environmental policy.

III. MAIN RESULTS

The project has provided general and case specific results. The specific results that refer to product policy in the EU and its Member States are not presented here due to their national specificity.

With regard to general results, a shift of emphasis can be observed in which environmental problems are being dealt with in a more integrated way, taking into account the intricate social, economic and technological systems in which they are embedded. These new approaches offer the perspective of more structural solutions, but also make environmental policy more complicated. Product policy conceptually belongs to this new, integrative approach.

The team distinguished between product policy and product management:

- product policy is the area of competence of government and governmental institutions and encompasses the formulation of objectives and the setting of policy framework by selecting and implementing instruments;
- product management is the area of actions and measures taken by the actors who are involved in the life-cycle of a product (especially producers, traders, consumers).

Product policy by governmental institutions will be more successful if it is accompanied by an adequate product management by the other actors (the "product managers").

In order to make actors deal with products in an environmentally compatible way, a product policy has to define

certain objectives and to apply instruments. Together, products, actors, objectives and instruments and their interrelationships constitute the "product policy quadrangle".

With respect to objectives, three basic strategies have been distinguished which can be applied in product policy:

1. lowering the product throughput;
2. changing the product with regard to its environmentally harmful features;
3. changing the product treatment (use and disposal) into an environmentally sound direction.

The research identified eight different categories of instruments assignable to product policy and product management. They encompassed amongst others direct regulatory instruments, economic instruments and new forms of co-operation.

"New" types of product policy and product management arise and the traditional distribution of roles among the actors changes. In the past, policy measures were initiated by the government and imposed on the other actors. Nowadays, initiatives to improve the environmental performances of products are (and can be) expected from all actors involved. Their behaviour becomes more "proactive": anticipating expected or announced future environmental policy targets, they apply their own product management, trying to avoid detailed regulation and/or to improve their market position. Furthermore, the concept of shared responsibility is increasingly being followed. Traders recognise their role as "gate keepers" for ecological innovations, producers are made responsible for their products during the entire life-cycle, in particular after the useful life of a product, and consumers increasingly become aware of the environmental consequences of their purchasing behaviour.

Product policy that aims at reducing the volume of used products, changing products, or changing people's behaviour with respect to products, is bound to fail if it does not take *all* functions and "additional utilities" of the product into account.

In addition to the general findings, four in-depth-studies identified a lot of different barriers facing a successful implementation of product policy respective product policy instruments. These barriers pertain to awareness, information, economic and technological aspects.

Product policy is able to influence the behaviour of an enterprise by setting incentives (e.g., by taxes and charges) or by prescribing details of behaviour (by bans and standards). Nevertheless, the majority of decisions are up to the decision-makers of an enterprise.

In the short run, product policy has to take the state of technology as its point of departure. Requirements for products (standards, eco-labelling criteria etc.) are usually based on what is technically feasible at the time the measure is taken. Consequently, the instruments based on these criteria are primarily serving the diffusion of environmentally preferable products. In the long run, they may also have an influence on the innovation process, i.e. the research into and the development of new products. Environmental product policy measures will provide an incentive for innovation if the producer perceives it as a business opportunity; in other words: if he expects to be able to expand his market share by taking advantage of the policy measures.

The altering "morphology" of product-oriented environmental policy into a direction of product management stressing the responsibility of all relevant actors has contributed to the emergence of several forms of co-operation.

High level forms of co-operation can be distinguished from low level forms of co-operation. The first category describes co-operation between groups of actors (e.g. government and industrial branches), while the second category encompasses more or less institutionalised co-operative behaviour of individual actors (e.g. among consumers). The borderlines between these two are fluid.

Co-operation, particularly in the form of voluntary agreements between industry and governmental authorities, benefits from periodic monitoring and the existence of indirect sanctions if agreed targets are not met (e.g. implementation of direct-regulation).

New, innovative instrumental approaches for product-related environmental policy like eco-leasing, sharing and pooling, least-cost-planning and substance agencies exist. They can be assigned to product management approaches that are initiated by private economic actors.

These instruments stress the function provided by products, substances and materials. Their new orientation towards the function of products hints to a new understanding of service concepts that is far from traditional ideas of after-sales services.

IV. SCIENTIFIC INTEREST AND POLICY RELEVANCE

Scientific interest and novelty:

The main novelties developed by the research were :

- the distinction between product policy and product management,
- the elaboration of a product policy "quadrangle" and
- the categorisation and classification of objectives, instruments, actors and products with respect to this

"quadrangle".

- In addition, a number of issues should be further examined:
- The distinction between product policy and management stresses the idea of shared responsibility. The meaning of that concept for the different actors along the life-cycle should be examined, e.g. through pilot projects. Attempts should be made to define the role of the various actors more clearly and concretely.
- The role of consumers as product managers has so far hardly been analysed. What is missing is, for example, an analysis of the actual and future market of "green" products.
- The role of consumers within product policy should also be examined.
- Internalising the external costs of production and consumption could change the relative prices between costs for natural resources and labour costs. Exemplary case-studies should examine the consequences for some (durable) product groups if all the external costs they cause would be internalised in their price.

Policy relevance:

The research revealed and listed a lot of policy recommendations. They address policy actors on the European level and on the level of national governments.

- The potential for environmental optimisation of a preventive product policy is greater the earlier in the "functional chain" of products the matter is being addressed.
- The objective of reducing the quantity of products ("throughput") in an economy deserves more attention.
- The concept of shared responsibility should be elaborated on the basis of practical experiences.
- A viable product policy needs an appropriate institutional embedding, e.g. a dedicated department in environmental ministries and national product information centres.
- Product policy should also have a proper social embedding: it should enable all relevant actors (including consumer and environmental organisations) to fulfill their role within the concept of "shared responsibility". This requires transparency (making all relevant information available) and financial capacity (all actors should be enabled to participate). Given the limited resources of some interest groups, financial support should be given to make their participation in the various forms possible.
- Adequate monitoring of the environmental features of products (particularly markets and suppliers for "green" goods) and the effects of product policy instruments (amongst others, return quotas, recovery rates) should be driven forward.
- One should strive for the application of pragmatic information instruments, such as streamlined Life-Cycle Assessments or "environmental measures".
- A kind of "Handbook of product policy actors" could improve the general transparency of the "scene" in the European and other countries and extend the information basis for the involved actors, and also prepare an international network of product-related environmental policy in order to improve the information flow among the actors.
- EU wide collaboration among environmental and consumer organisations should be promoted and improved by supporting exchange of knowledge and experiences in adequate form.
- Instead of pursuing a quest for the "optimal" product policy instrument, instrumental mixes should further be sought because they can - under certain circumstances - enhance each other.
- The internalisation of external costs is the heart of any environmental policy that plans to strengthen the market mechanism. The application of economic instruments improves both the effectiveness and efficiency of other applied instruments and gives the "right" price signals to the market.
- Policy should support the development and market introduction of new products by supporting innovative alliances among different actors.
- The current information available to consumers by product labels is quite often not credible. A regulatory framework should be introduced. Besides that, the shared responsibility approach should also be applied to the development of the labelling area.
- Product information centres for consumers, producers and public purchasers could be a valuable additional source of independent environmentally relevant product information