REPORT

on cohesion policy and the circular economy
(2017/2211(INI))

Committee on Regional Development

Rapporteur: Davor Škrlec
## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPLANATORY STATEMENT - SUMMARY OF FACTS AND FINDINGS</td>
<td>3</td>
</tr>
<tr>
<td>MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION</td>
<td>6</td>
</tr>
<tr>
<td>OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND FOOD SAFETY</td>
<td>18</td>
</tr>
<tr>
<td>INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE</td>
<td>24</td>
</tr>
<tr>
<td>FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE</td>
<td>25</td>
</tr>
</tbody>
</table>
EXPLANATORY STATEMENT - SUMMARY OF FACTS AND FINDINGS

Circular Economy is a new European policy concept that envisions structural reform of our economy from “take, make, dispose” model into cyclical model that is more in line with the living system. Thus, in order to make the shift and redesign our future, European Commission published in December 2015 the Circular Economy Action Plan, a broad EU public policy framework with aim to redefine our societal approach to production and consumption of goods and services. As one of the core European policies, Cohesion policy is perceived as one of the main sources of investment. Moreover, with the respect to the principles of the proportionality and subsidiarity, cohesion policy also provides the best implementation tools for the circular economy. Multilevel governance, as the backbone of the cohesion policy, operates under the same principle. Therefore, these two public policies are driven by the same logic, and should complement each other whilst achieving their policy goals. We need to recognize and strengthen existing policy tools within both polices in order to fully exploit the mentioned potential.

Role of Cohesion policy in promoting circular economy

During the preparation of the programming period 2014-2020, circular economy was not recognized as a policy priority area in the European Union. Therefore, after the adoption of Circular Economy Action Plan efforts were made to recognize relevant and available investment potential within the ESI Funds that could be furthermore streamlined towards implementation of circular economy.

For improved waste management and focus on waste prevention, reuse and recycling, which are the preferred waste treatment options in the European Union, there is an investment potential of 5.5 billion EUR. Furthermore, there are 2.3 billion EUR in environmentally-friendly production processes and resource efficiency in SMEs. Cohesion Policy can support water reuse with 15 billion EUR allocated for investment in the water sector during the 2014-2020 period. Important research and innovation funding opportunities are also available and the circular economy is a priority in the Smart Specialisation Strategies that steer these investments.

Circular Economy as a driver for sustainable and regional development

All the towns and municipalities in European Union will be the engine of circular economy measures. Local and regional authorities are the closest to the citizens and local challenges, thus they have better insight into local challenges and opportunities. Therefore, it is of utmost importance to secure adequate functional and financial autonomy for local and regional authorities, especially with regards to their right to prepare and implement own development strategies Community-Led Local Development (CLLD) and Integrated Territorial Investment (ITI) to help local stakeholders combine funding streams and plan local initiatives targeted at circular economy.

Thinking in systems is one of the basic principles of the circular economy, since the shift from a linear model of our economy into circular can only be achieved through cooperation and connection of business and production models. The report also emphasizes the role of SMEs which know the local markets better and can raise awareness about positive practices through cooperation with the communities, create local value and sustainable local jobs. Through innovation and development, SMEs provide the market and society with new solutions and
circular business models. In this process, they rely on Cohesion policy, especially on the smart specialisation and synergies with the Horizon 2020, the European Structural and Investment Funds, as well as on investments triggered through European Investment Bank (EIB) and European Bank for Reconstruction and Development (EBRD) etc. We should support these efforts and tailor both policies in this direction, with the objective to achieve that present innovations become tomorrow’s realities. Unfortunately, there is still lack of demand for circular products and services, often because they are more expensive than linear ones, while the negative externalities of the latter are not accounted for. Green public procurement in combination with circular procurement presents formidable tool for public authorities to incentives circular economy markets.

Additionally, the macro-regional approach is the key to achieving regional cooperation and coordination, as well as an opportunity for the establishment of regional markets, in particular for secondary raw materials. Thus, we must streamline the creation of joint capacities, as for instance with respect to regeneration of waste oils and other recycling capacities. Cross-border and transnational cooperation programmes are crucial to foster interregional cooperation on circular economy activities, promote industrial symbiosis, awareness-raising and the exchange of knowledge and best practices.

All of this effort is there to make our regions and local communities more resilient and competitive in the global markets. Circular Economy provides local jobs and business models that are based in the heart of European Union, in its regions and local municipalities. One of the main pre-conditions for achieving a fully functioning Circular Economy model is an increase in sustainable and local energy production, while on the same side increasing the resource efficiency and flow of recovered materials. Renewable energy sources are one of the essential supporting pillars of circular economy, thus RES represent one of the most important indirect investments into circular economy with substantial potential for boosting local green employment.

Bioeconomy as an established European public policy area consists of crucial policy actions that can significantly contribute to the implementation of circular economy. The shift to biological raw materials and biological processing methods could save up to 2.5 billion tons of CO2 equivalents per year by 2030, while at the same time reduce fossil fuel dependence which presents a crucial long-term challenge of the European Union. Bio-based, biodegradable and compostable materials, as well as permanent materials, are important for achieving better resource efficiency and retention of valuable materials in circular loops. The future innovation potential lies in achieving more efficient management of bio-feed stocks, as well as phasing out of toxic substances from all materials.

One of the first legislative steps towards implementation of the Circular Economy Package was the Waste Package that defined many necessary provisions for proper handling of the waste, which is the main challenge for local municipalities and regions. The attainment of the targets set out in the Waste Package shall be unavoidably financially supported by the cohesion policy. Having in mind recycling rates set-out on the European level and the envisioned implementation timeframe, it is necessary to focus investments on the higher levels of waste hierarchy to be able to attain targets and avoid long-term technological lock-ins. Member States should use national circular economy strategies and national waste management plans as the long-term policy tools that can provide clear guidelines to all stakeholders and signal to the European Commission that they are on the right path.
for achieving circular economy.

Food waste is recognized globally as a major economical and ethical problem that needs to be tackled in each stage of food value chains. The European Union is currently wasting around 173 kilograms of food per person each year, which represents 20% of annual food production in Europe. Local action is proven to be very effective in tackling this overreaching challenge, as there are some successful stories and implemented projects across the Europe. Therefore, there should be an increase in funding opportunities that address this important policy area.

Littering is proving to be also one of the burning global challenges that usually has the biggest impact on the local communities and their quality of life. Certain estimates are showing that clean-ups are costing each European taxpayer around 25 EUR per year, while in some Member States the cost can go as high as 54 EUR annually. Tackling the litter needs to be better promoted and funded through ESI Funds since it has both environmental and social benefits. The poorest layers of the society are the most impacted by inaction. Moreover, solving the problem of marine litter needs to start with prevention of land littering.

**Circular Economy in post-2020 cohesion policy**

Cohesion policy and circular economy are not only about infrastructure policies but also about social cohesion and solidarity. They provide answers to the challenges faced by local and regional communities on how to tackle most important climate-related issues. Therefore, this report considers introduction of a new ex-ante conditionality provision to achieve circular economy within the cohesion policy framework, in order to allow new operational programmes to better reflect CE principles. The report demands the implementation of a relevant tracking methodology for an accurate monitoring of the cohesion policy contribution in achieving circular economy, and calls for significant increase in circular economy and climate-related spending in post-2020 cohesion policy.
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on cohesion policy and the circular economy
(2017/2211(INI))

The European Parliament,

– having regard to the Treaty on European Union (TEU), in particular Article 3, and the Treaty on the Functioning of the European Union (TFEU), in particular Articles 4, 11, 174 to 178, 191 and 349 thereof,

– having regard to the Paris Agreement, Decision 1/CP.21 and the 21st Conference of the Parties (COP21) to the UNFCCC, and the 11th Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP11) held in Paris, France, from 30 November to 11 December 2015,

– having regard to Articles 7(2) and 11(2) of the Paris Agreement, which recognise the local, subnational and regional dimensions of climate change and climate action,

– having regard to the new UN Sustainable Development Goals, and in particular goal 7: to ‘ensure access to affordable, reliable, sustainable and modern energy for all’ and goal 11: to ‘make cities inclusive, safe, resilient and sustainable’,


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– having regard to Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal

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– having regard to Regulation (EU) No 1302/2013 of the European Parliament and of the

Council of 17 December 2013 amending Regulation (EC) No 1082/2006 on a European grouping of territorial cooperation (EGTC) as regards the clarification, simplification and improvement of the establishment and functioning of such groupings¹,


- having regard to the Commission communication of 16 January 2018 entitled ‘Monitoring framework for the circular economy’ (COM(2018)0029),

- having regard to the Commission communication of 26 January 2017 entitled ‘The role of waste-to-energy in the circular economy’ (COM(2017)0034),


- having regard to the Commission communication of 14 December 2015 entitled ‘Investing in jobs and growth – maximising the contribution of European Structural and Investment Funds’ (COM(2015)0639),

- having regard to the Commission communication of 2 December 2015 entitled ‘Closing the loop – An EU action plan for the Circular Economy’ (COM(2015)0614),


- having regard to the Commission communication of 2 July 2014 entitled ‘Green Action Plan for SMEs: Enabling SMEs to turn environmental challenges into business opportunities’ (COM(2014)0440),


- having regard to the Commission communication of 13 February 2012 entitled ‘Innovating for Sustainable Growth: A Bioeconomy for Europe’ (COM(2012)0060),

- having regard to the Commission communication of 10 July 2012 on ‘Smart Cities and Communities – European Innovation Partnership’ (COM(2012)4701),

- having regard to the study commissioned by the Commission of December 2017 entitled ‘Integration of environmental concerns in Cohesion Policy Funds (ERDF, ESF, CF) – Results, evolution and trends through three programming periods (2000-2006,

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2007-2013, 2014-2020),

– having regard to its resolution of 16 February 2017 on investing in jobs and growth – maximising the contribution of European Structural and Investment Funds: an evaluation of the report under Article 16(3) of the Common Provisions Regulation¹,

– having regard to its resolution of 13 September 2016 on European Territorial Cooperation – best practices and innovative measures²,

– having regard to its resolution of 6 July 2016 on synergies for innovation: the European Structural and Investment Funds, Horizon 2020 and other European innovation funds and EU programmes³,

– having regard to its resolution of 9 July 2015 on resource efficiency: moving towards a circular economy⁴,

– having regard to its resolution of 19 May 2015 on green growth opportunities for SMEs⁵,

– having regard to the Smart Islands Declaration of 28 March 2017,

– having regard to Rule 52 of its Rules of Procedure, as well as Article 1(1)(e) of, and Annex 3 to, the decision of the Conference of Presidents of 12 December 2002 on the procedure for granting authorisation to draw up own-initiative reports,

– having regard to the report of the Committee on Regional Development and the opinion of the Committee on the Environment, Public Health and Food Safety (A8-0184/2018),

A. whereas local and regional authorities, which are the most conversant with the local and regional issues and are key actors for an effective implementation of cohesion policy, are also at the forefront of the transition to a circular economy; whereas a European multi-level governance model, built on active and constructive co-operation between the different levels of governance and stakeholders, together with adequate information and active involvement of citizens, is key to the achievement of this shift;

B. whereas cities represent just 3 % of the Earth’s surface but house more than half of the world population, consume over 75 % of the global resources, and emit 60-80 % of greenhouse gas emissions and whereas 70 % of the global population is expected to move to cities by 2050;

C. whereas the transition to a stronger, more circular economy is both a great opportunity and a challenge for the EU, its Member States and its citizens, to modernise the European economy and guide it in a more sustainable direction; whereas it is, in particular, an opportunity for all European regions and local authorities, which are the tier of government closest to local communities; whereas it brings possibilities for

⁵ OJ C 353, 27.9.2016, p. 27.
development and growth to the European regions and can help them build a sustainable model that achieves economic development, transform existing sectors, improve their balances of trade and industrial competitiveness with enhanced productivity, create new, high quality, well-paid jobs and new value chains;

D. whereas around 60% of EU waste is currently not recycled and whereas great cost benefits and business opportunities could be created from exploring and introducing new circular business models for the benefit of EU SMEs;

E. whereas achieving the Paris Agreement targets requires a shift to a more circular economy and is a vital contribution to the development of an economic model that has not only profit as its goal, but also protection of the environment;

F. whereas cohesion policy offers not only investment opportunities to respond to local and regional needs through the European Structural and Investment Funds (ESI Funds), but also an integrated policy framework to reduce developmental disparities between the European regions and to help them address the multiple challenges to their development, including through support for resource efficiency and sustainable development, as well as territorial cooperation and capacity building and also to attract and promote private investment;

G. whereas the current legislative framework for cohesion policy does not mention the transition to a circular economy as an objective, and whereas sustainable development is a horizontal principle for the use of the ESI Funds, as defined in Article 8 of the Common Provisions Regulation as well as in the Common Strategic Framework (Annex I), which will enable the link between existing instruments in support of circular economy projects to be strengthened;

H. whereas many of the thematic objectives set for the ESI Funds to comply with the Europe 2020 strategy for smart, sustainable and inclusive growth, as well as the related ex ante conditionalities, are relevant to the objectives of a circular economy;

I. whereas Article 6 of the Common Provisions Regulation makes it mandatory for operations supported by the ESI Funds to comply with applicable Union law and national law relating to the application of Union law, including especially environmental law;

J. whereas one of the aims of the circular economy is to reduce waste going to landfill and whereas the securing and remediation of legal and illegal landfills in the Member States should be regarded as an absolute priority;

K. whereas China banned imports of scrap plastics and unsorted paper waste from 1 January 2018, and whereas that ban will create recycling challenges for the Union, which will need to be dealt with at regional and local levels;

Role of cohesion policy in promoting the circular economy

1. Welcomes the efforts of the Commission to support the circular economy through cohesion policy, notably via outreach activities to assist EU Member States and regions in the uptake of cohesion policy funds for the circular economy;
2. Notes that, according to the Commission report on the implementation of the Circular Economy Action Plan, EU support for the 2014-2020 period for innovation, SMEs, the low-carbon economy and environmental protection amounts to EUR 150 billion and many of these areas are contributing to the achievement of a circular economy;

3. Notes that the analysis of the outcome of the negotiations concerning the partnership agreements and European Social Fund (ESF) operational programmes for the current programming period showed that the ESF has been used to support actions for introducing greener models of labour organisation, and actions in the green sector;

4. Notes, however, that, as underlined in a study commissioned by the Commission, the current policy framework does not allow the full contribution of cohesion policy to the circular economy to be captured; in this respect, points to the fact that the definition of the existing ’Intervention Field’ categories used for financial allocations does not cover the circular economy as such;

5. Urges the Commission to implement the planned circular economy measures, observing good regulatory practice, and stresses the need to monitor the implementing measures;

6. Stresses the need to implement the Commission’s commitment to a monitoring framework for the circular economy with a view to increasing and evaluating progress achieved in the transition to a circular economy at EU and Member State level, while reducing the administrative burden;

7. Calls on the Commission to take extraordinary action to remediate areas used for the illegal discharge and landfill of hazardous waste, which is adversely affecting the health and economic and social well-being of the populations concerned;

8. Underlines the role played by the EU’s Framework Programme for Research and Innovation Horizon 2020 and by the LIFE Programme 2014-2020 in funding innovative projects and in supporting waste reduction, recycling and reuse projects which are relevant to the circular economy;

9. Appreciates that several regions have used their smart specialisation strategies to set priorities related to the circular economy and guide their investments in research and innovation through cohesion policy towards this objective, playing a fundamental role in supporting investments and infrastructure that meet the needs of SMEs; calls on the regional authorities to use this good practice as a common modus operandi and to implement these smart specialisation strategies;

10. Welcomes the creation of a European Resource Efficiency Excellence Centre for SMEs, as well as the Circular Economy Finance Support Platform;

11. Reiterates its view that the circular economy goes beyond waste management and includes areas such as green jobs; renewable energy; resource efficiency; the bio-economy; agriculture and fisheries policies, with their bio-based industries aiming to replace fossil fuels; water management; energy efficiency; food waste; marine litter; air

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quality improvement; research and development and innovation in related fields; acknowledges, however, that waste infrastructure is a crucial element for reducing linear patterns of production and consumption and that it is necessary to support innovations in the field of eco-design in order to reduce levels of plastic waste;

12. Recalls that the basic problem that must be resolved first is the secondary materials market, as if raw materials cost less than recycled ones it is clear that the drive towards the green economy has slowed down considerably and that the use of structural funds could be lost in a vicious circle; considers, in this context, that certain ad hoc laws (such as the upcoming Commission proposal on single-use plastic products) and appropriate EU-level taxation as part of the own resources of the next multiannual financial framework can make a decisive contribution to moving towards a circular economy;

13. Emphasises the fact that on average recycled materials only satisfy around 10% of the EU demand for materials; recognises, with regard to new developments on global markets, especially China’s recent ban on scrap plastics and unsorted paper waste, the new potential for regions and local communities to invest into recycling infrastructure, create new green jobs and tackle the current challenges that the EU faces;

14. Highlights the existence and importance of the ex-ante conditionalities on ESI Funds related to, in particular, the objective of preserving and protecting the environment and promoting resource efficiency; points especially to the one on ‘promoting economically and environmentally sustainable investments in the waste sector’; regrets, however, the negligence of waste hierarchy and lack of sound environmental assessment of long-term outcomes of investments under the ESI Funds;

15. Calls for coordination and greater cooperation between regions, SMEs and other public/private entities in order to launch new smart specialisation thematic platforms, in particular between the agri-food, energy and industrial sectors;

16. Emphasises the importance of applying waste hierarchy as a prerequisite for achieving a circular economy, as well as the need for greater transparency in the supply chain, so that end-of-life products and materials can be monitored and recovered efficiently; furthermore recognises a negative trend of investment of ESI Funds into lower levels of the waste hierarchy, in particular mechanical biological treatment (MBT) facilities and incineration, which in some cases leads to overcapacities and long-term technological lock-in, thus jeopardising the achievement of EU recycling targets; recalls that encouraging the business community to follow the hierarchy should generate additional materials in the resource stream as well as offering potential outlets for their use in manufacturing;

17. Recalls the new waste targets for 2025, 2030 and 2035 established in the review of EU waste legislation and underlines that the achievement of these targets requires political commitment at the national, regional and local levels as well as economic investments; calls on the Member States to make full use of available Union funds in support of such investments and underlines that these will generate significant returns in terms of economic growth and job creation;

18. Underlines the importance of regional projects to process residual waste that is entirely non-recyclable for the purpose of producing sustainable second-generation biofuels,
after careful separation or separate collection in line with the waste hierarchy;

19. Calls on the Commission to ensure that all definitions relating to waste comply with the Waste Framework Directive and that comparable data are available on progress made by Member States and local and regional authorities;

20. Underlines the importance of the Urban Innovative Actions initiative, which has so far approved eight innovative circular economy projects in urban authorities for ERDF funding and calls on the Commission to monitor and evaluate their implementation in order to formulate wider circular economy policies;

**The circular economy as a driver for sustainable and regional development**

21. Stresses the importance of the partnership principle and the important role of all stakeholders, in particular regional and local authorities and the non-governmental sector, including SMEs and social economy enterprises, during the drawing-up of partnership agreements and operational programmes; calls for a genuine involvement of partners in policy processes, with the creation of cross-cutting partnerships, and for circular economy-related objectives to be adequately incorporated into programming documents; encourages the Member States to develop their own national strategies in this field in coordination with the EU approach to the circular economy; points to the leading role that local government can play in achieving the circular economy;

22. Stresses the importance of the role of public-private partnerships in the design and planning of new products and services that take life cycle into account, with a view to implementing the four design models that could be used under a circular economy: designing for longevity; designing for leasing/service; designing for reuse in manufacture; designing for materials recovery;

23. Stresses the need to change and adapt the current strategies and market models to accompany the regions in the transition towards this more sustainable form of economy, while at the same time boosting economic, industrial and environmental competitiveness;

24. Calls for the implementation of the circular economy within the framework of the coordinated multilevel governance and partnership principle, with full transparency, the involvement of local communities and broad public participation;

25. Highlights the need to promote greater cooperation between all the stakeholders involved in circular economy processes;

26. Notes that projects related to the circular economy which have received cohesion policy support have brought greater benefits to more developed regions; recognises the limited administrative capacity of less developed regions and therefore calls on the Member States’ national authorities and the Commission to use all existing possibilities to provide expert assistance and to strengthen the capacity of these regions to help them increase their efforts, and to create conditions for achieving technological leapfrogging by implementing more projects that meet circular economy principles and by developing partnerships and closer cooperation with stakeholders such as materials experts, chemists, manufacturers and recyclers, particularly within the framework of the
‘Industry 2020 in the circular economy’ initiative;

27. Emphasises the estimates that a shift to biological raw materials and biological processing methods could save up to 2.5 billion tonnes of CO2 equivalent per year by 2030, thus increasing markets for bio-based raw materials and new consumer products several-fold; underlines the utmost importance of sustainable management of natural resources and the preservation of biodiversity while transforming resources into bio-based products, materials and fuels;

28. Considers that the bioeconomy is essential for regional and local development, since it increases cohesion between regions through its potential to create jobs and growth in rural areas; calls for greater use to be made of ESI Funds for the implementation of existing innovations, through policies to encourage stakeholders, while further fostering innovation in the development of bio-based, biodegradable, recyclable and compostable materials produced from sustainably managed biofeed stocks; recalls that consistent implementation of the bioeconomy may also solve the problem of food waste; calls for better cooperation between national, regional and local authorities in creating systems and platforms that connect different actors from the food production, transportation, retail, consumer and waste sectors, as well as other concerned stakeholders, thus achieving greater synergies to create efficient solutions;

29. Points out that, in addition to local, regional and national authorities, incentives should also be given to consumers themselves, who should be constantly informed and encouraged to change their consumer behaviour in respect of waste management and production, recycling and issues involving sustainable solutions in their everyday lives;

30. Calls for better, easier and more transparent access to finance for local and regional authorities, including through the strengthening of their administrative capacities and through heightened cooperation with the EIB, within the framework of the European Investment Advisory Hub, to enable increased investments in green jobs, waste management, smart specialisation, further development of rural areas including as regards the necessary infrastructure and environmentally friendly technologies, the shift from fossil fuels to renewable energy sources and the local energy transition, including energy efficiency, decentralised distribution of energy, clean energy innovation and the circular economy; welcomes the fact that the EIB has provided over the past five years about EUR 2.4 billion in co-financing for circular economy projects for waste management, water management or agricultural research and development; stresses the importance of better coordination of the ESI Funds and the European Fund for Strategic Investments (EFSI) in the field of the circular economy, also with a view to ensuring that programmes include a regional approach and make better use of regional potential for sustainable energy sources;

31. Calls on Member States, regions and local authorities to encourage the establishment of and support for reuse and repair networks, in particular those operating as social economy enterprises, to extend the life of products through reuse, repair and reutilisation, by facilitating the access of such networks to waste collection points, and by promoting the use of ESI Funds, economic instruments, procurement criteria, or other measures in this sense;

32. Stresses that the life cycle sustainability of reuse and recycling also depends on energy
consumption in transport; underlines that this applies particularly to rural areas where longer distances between points of collection and processing sites have to be covered; urges the Commission, the Member States and regional authorities to take the life cycle approach into account in their circular economy strategies for rural areas in order to avoid negative overall environmental and climate impacts;

33. Points out that, out of a sample of 32 operational programmes reviewed for a study on the integration of environmental concerns in cohesion policy funds, nine address the circular economy and six green jobs; welcomes the existing efforts made by national and regional authorities but at the same time calls on Member States to better integrate the circular economy in their operational and regional programmes and partnership agreements; urges that support be granted to the regions to ensure as smooth as possible a transition to the circular economy;

34. Calls on the Member States to ensure that the circular economy is suitably incorporated into educational programmes and vocational training and re-training as an interdisciplinary subject so as to shape new attitudes which will then help to define new business models and create new jobs;

35. Calls on the national and regional authorities in charge of preparing operational programmes to more closely integrate the circular economy into territorial cooperation programmes, particularly in cross-border cooperation programmes, in order to implement cross-border solutions that can generate more efficient and cheaper results;

36. Believes that the future planning of ESI Funds in the next programming period should be better coordinated with the national energy and climate plans for 2030, by using similar indicators to the ones contained in the Regulation on the Governance of the Energy Union when possible; asks for an ambitious and coherent strategy for Member States in order to fulfil the already existing mandatory targets at EU level on climate mitigation;

37. Calls on Member States to seize the opportunity to further integrate the circular economy into their current operational programmes during the period of revision; believes that Commission should facilitate this process while providing assistance to Member States in analysis of the current state of play and possible areas where the circular economy and its principles could be applied and added;

38. Considers that the role of the ETC in addressing challenges related to the implementation of the circular economy should be further enhanced; calls on Member States to foster cross-border cooperation, in particular through European Territorial Cooperation (ETC), to implement circular economy projects; furthermore, stresses the importance of finding sustainable solutions through pre-accession agreements with non-Member States to tackle the ongoing challenges, especially in the domain of air pollution;

39. Stresses the untapped potential of the on-going macro-regional strategies to help address challenges related to the implementation of the circular economy, not only in the Member States but also in third countries located in the same geographical area; stresses that those strategies should focus on priorities that would support the creation of a market for secondary raw materials for the Union; calls for the development of EU
cooperation initiatives with neighbouring countries;

40. Reiterates its views on the importance of adequate capacity building and maintenance in local, regional and national public authorities, which is also highly relevant for the transition to a circular economy; points to the important role technical assistance can play in this field; recognises that regions and urban areas play a vital role in promoting ownership of the bottom-up energy transition and are most suitable for testing and implementing integrated energy solutions in direct connection to citizens; stresses the role that ‘smart cities’ initiatives can play in the circular economy by promoting green technology models as part of sustainable urban development strategies; underlines that sustainable and ‘circular’ cities are an instrument for an effective circular economy;

41. Stresses the importance of Green Public Procurement as a driver of the circular economy, with a potential market of an estimated EUR 1.8 trillion annually delivering public works, goods and services1;

42. Stresses the need for an energy regulatory framework that encourages citizens and energy communities to participate in the energy transition through the right to self-produce and consume, as well as through continued support schemes, guaranteed priority grid access and priority dispatch for renewable energy;

43. Encourages regional and local authorities to further invest in educational programmes, in vocational training and requalification of workers, as well as in public awareness-raising campaigns about the benefits and advantages of all actions with the aim of implementing the circular economy through cohesion policy projects, thus increasing citizen participation and influencing consumer behaviour; underlines, in this connection, the potential of the ESF; stresses that it must encourage young entrepreneurs to move towards the circular economy, especially in regions with low levels of income and growth; underlines also that the circular economy is an opportunity for rural areas to counter depopulation, to diversify their economies and to gain security against risks; points out, in this respect, that rural areas are in need of incentives for the transition to sustainable value chains; stresses the importance of developing a specific strategy for island regions;

44. Encourages the Commission to promote the use of Community-Led Local Development (CLLD) and Integrated Territorial Investment (ITI) to help local stakeholders combine funding streams and plan local initiatives targeted at the circular economy;

45. Notes that 80 % of marine litter is from land-based sources; thus emphasises the importance of tackling of land and marine littering through local and regional action that has both environmental and human-health benefits; calls on Member States, regions and local authorities to focus their efforts on preventing the generation of land litter;

46. Calls on the Commission to consider, in the context of the European Semester, the impact on the calculation of government deficits of regional and national investments co-financed through ESI Funds in projects related to the circular economy;

47. Welcomes the proposal to revise Drinking Water Directive 98/83/EC, which will

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facilitate the transition to a circular economy by reducing plastic waste from bottled water, involving major energy savings and efficient management of drinking water resources;

The circular economy in post-2020 cohesion policy

48. Calls on the Commission, for the next programming period, to develop a relevant tracking methodology with appropriate indicators to allow for a better monitoring of the contribution of cohesion policy to the achievement of a circular economy in order to offer a more precise picture of environmental and socio-economic conditions;

49. Points out that considerable support for the completion of the transition to a circular economy is also being provided by other programmes, such as LIFE, COSME and Horizon 2020; stresses the need to improve synergies between the above-mentioned instruments in order to achieve the goals set out in the Commission’s Circular Economy Action Plan;

50. Calls on the Commission, in the context of the new legislative proposals for the future cohesion policy framework, to develop appropriate ex-ante conditionalities related to the achievement of a circular economy; considers that circular economy strategies should be developed in partnership with the national, regional and local authorities and economic and social partners;

51. Calls on the Commission to ensure that the Horizon 2020 programme devotes even greater attention and funding to innovation and research projects in the area of the circular economy;

52. Stresses the importance of stepping up cohesion policy support for sustainable urban and rural development, and calls for a more prominent role to be given to circular economy-related objectives in this context; calls for innovative urban and rural actions in this field to be continued and calls on the Commission to make maximum use of lessons learnt in the 2014-2020 period when preparing proposals for the future; calls for a flexible, tailor-made approach in the implementation of the Urban Agenda, providing incentives and guidance to fully seize the potentials of cities in implementing the circular economy;

53. Calls on the Commission to make the European Circular Economy Stakeholder Platform a place to exchange best practices to make the best possible use of cohesion policy resources for the transition to a circular economy;

54. Emphasises the interdependence of the circular economy and climate mitigation, and thus calls for greater spending in circular economy- and climate-related investments in post-2020 cohesion policy; moreover stresses that in the next multiannual financial framework (MFF) climate-related expenditure in general should be increased in comparison with the current one;
55. Instructs its President to forward this resolution to the Council and the Commission.
OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND FOOD SAFETY

for the Committee on Regional Development

on cohesion policy and the circular economy
(2017/2211(INI))

Rapporteur: Stanislav Polčák

SUGGESTIONS

The Committee on the Environment, Public Health and Food Safety calls on the Committee on Regional Development, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Considers that the transition from a linear economy model to a circular one is not a choice but a necessity; considers that the transition to a circular economy would reduce waste, create new high-quality jobs, increase the competitiveness of SMEs, create opportunities for social integration, strengthen the development of clean technologies, improve energy and resource efficiency and reduce the consumption of raw materials and Europe’s dependence on imported raw materials and energy, such as hydrocarbons, but believes that this transition requires innovative business models that are intended to meet people’s consumption needs without having a damaging impact on the environment;

2. Points to the role of the circular economy in economic, social and territorial cohesion; points out that building a circular economy society demands a new kind of know-how and approach, cooperation among stakeholders, the development of an operating environment, and changes to the ways in which companies do business; considers it essential for cohesion policy funding to be channelled more effectively towards measures supporting the circular economy, including training activities;

3. Recommends a multi-stakeholder partnership as a means of fostering good synergies between cohesion policy and the circular economy principles through the involvement, on an equal basis, of all actors throughout the product life cycle, namely public authorities, the private sector, academics and NGOs;
4. Calls for greater attention to be focused on climate change mitigation and on coupling the potential of the bioeconomy more effectively to the circular economy, as this could also be a way to bolster living standards and means of livelihood in rural areas; points out that the transition to a sustainable low-carbon circular economy could be speeded up by reassigning support for fossil products to renewable products and production;

5. Believes that economic, social and environmental challenges can be addressed through better funding and appropriate instruments for territorial development as well as by supporting the circular economy; highlights the need for a long-term perspective and clear investment signals for the transition to a circular economy; considers that the ex ante conditionalities have helped the implementation phase of the strategic objectives of the current cohesion funds, but that they could be further defined in detail for the post-2020 period; calls, in this context, for compliance with the waste hierarchy, which can be articulated in a series of ex ante conditionalities that restrict the use of funds to the implementation of the circular economy without violating the subsidiarity principle; calls for the introduction of financial incentives for waste prevention, strictly aligned to the waste hierarchy as set out in Article 4 of the Waste Framework Directive\(^1\); stresses that the cohesion funds put in place for the prevention, recycling and reuse of waste should also comply with this hierarchy; calls on the Member States, which are obliged to apply the EU waste hierarchy, to prioritise prevention, reuse, preparation for reuse and recycling in their investments in waste management infrastructure; stresses the need to lay down rules setting out the instruments and bodies responsible for monitoring waste reduction data in all strands of production, processing and consumption;

6. Supports the strengthening of producer responsibility requirements and calls for a major reduction of plastic in packaging and the setting-up of reusable packaging schemes by large retail chains as a practical waste prevention tool; highlights that further steps must be taken to extend the durability and encourage the reuse and recyclability of products, including the introduction of financial penalties for excess packaging;

7. Recalls the new waste targets for 2025, 2030 and 2035 established in the review of EU waste legislation and underlines that the achievement of these targets requires political commitment at the national, regional and local levels as well as economic investments; calls on the Member States to make full use of available Union funds in support of such investments and underlines that these will generate significant returns in terms of economic growth and job creation;

8. Underlines the need to collect bio-waste separately at source and to create the necessary framework for the use of compost from bio-waste in agriculture and other sectors; highlights that bio-waste represents a high percentage of mixed municipal waste, and points out that the fact that the possibilities for separate collection of such waste are not sufficient makes it impossible for bio-waste to be used and returned to the soil as compost;

9. Stresses that the life cycle sustainability of reuse and recycling also depends on energy consumption in transport; underlines that this applies particularly to rural areas where longer distances between points of collection and processing sites have to be covered;

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urges the Commission, the Member States and regional authorities to take the life cycle approach into account in their circular economy strategies for rural areas in order to avoid negative overall environmental and climate impacts;

10. Underlines the importance of regional projects to process residual waste that is entirely non-recyclable for the purpose of producing sustainable second-generation biofuels, after careful separation or separate collection in line with the waste hierarchy;

11. Recalls the importance of training for new jobs in the green economy: the European Social Fund, hand in hand with European Regional Development Fund investment, should contribute to the creation of new jobs for a circular economy;

12. Takes note that China’s new restrictive approach to imports of European waste could have, in the short term, a negative impact on waste management in the EU; at the same time, considers it in principle to be an opportunity for waste management in the EU and calls, therefore, on the Member States to step up their efforts to reduce waste generation, rethink their waste management policies, improve their resource management, and establish a functioning EU recycling infrastructure, which would boost the circular economy in the EU; welcomes in this context the Commission’s new plastic strategy and recommends a higher convergence between the EU and China and other partners to lay the foundations for a sustainable plastic economy where design and production allow for greater durability, reuse and high-quality recycling;

13. Calls on the Commission to ensure that all definitions relating to waste comply with the Waste Framework Directive and that comparable data are available on progress made by Member States and local and regional authorities;

14. Calls on the Commission to strengthen the tracking of implementation by the Member States to ensure the achievement of the transition to the circular economy;

15. Stresses that many Member States have yet to develop the necessary waste management infrastructure; points out that it is therefore essential to set long-term policy objectives in order to guide measures and investments, notably by preventing the creation of structural overcapacities for the treatment of residual waste and lock-ins of recyclable materials at the lower levels of the waste hierarchy; notes, to that end, that it is essential to use the European Structural and Investment Funds to finance the development of the waste management infrastructure needed for prevention, reuse and recycling;

16. Recalls that the basic problem that must be resolved first is the secondary materials market, as if raw materials cost less than recycled ones it is clear that the drive towards the green economy has slowed down considerably and that the use of structural funds could be lost in a vicious circle; considers, in this context, that certain ad hoc laws (such as the upcoming Commission proposal on single-use plastic products) and appropriate EU-level taxation as part of the own resources of the next multiannual financial framework can make a decisive contribution to moving towards a circular economy;

17. Welcomes the proposal to revise Drinking Water Directive 98/83/EC, which will facilitate the transition to a circular economy by reducing plastic waste from bottled water, involving major energy savings and efficient management of drinking water resources;
18. Expresses its support for regional projects for innovative manure treatment and closure of the animal mineral cycle that help to reduce greenhouse gas emissions and nitrate leaching and contribute to the production of green bioenergy;

19. Urges the Commission to implement the planned circular economy measures, observing good regulatory practice, and stresses the need to monitor the implementing measures;

20. Calls on the Commission and the Member States to promote synergies between regional projects for the circular economy in the field of organic fertilisers, such as high-grade mineral concentrates from manure treatment, and EU legislative frameworks, inter alia by authorising mineral concentrates as green alternatives to chemical fertiliser, subject to the condition that they have a sufficiently high availability coefficient and thus help to improve the quality of groundwater and surface water; urges the Commission and the Member States to put an end to legal discrimination against sustainable organic fertilisers based on animal manure as compared with conventional mineral fertiliser and to amend EU legislation and definitions to this end;

21. Considers it necessary that, in developing their national waste management strategies and planning investments in waste management infrastructure and the circular economy, Member States should make sound use of the European Structural and Investment Funds by promoting first prevention and reuse, followed by recycling, in line with the waste hierarchy; takes the view that the Commission should, in accordance with the waste hierarchy, create greater synergies between Horizon 2020 and the European Structural and Investment Funds in order to develop an effective financial framework that helps local authorities implement the requirements of EU waste legislation and finance the introduction of innovative waste management technologies and methods;

22. Stresses the need to implement the Commission’s commitment to a monitoring framework for the circular economy with a view to increasing and evaluating progress achieved in the transition to a circular economy at EU and Member State level, while reducing the administrative burden.
INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

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| Substitutes under Rule 200(2) present for the final vote | Jude Kirton-Darling, Jeroen Lenaers, Mylène Troszczynski |
### FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

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## INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

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| EFDD | Paul Nuttall |
| ENF | Steeve Briois |
| NI | Konstantinos Papadakis |

| **0** | **0** |

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