

EuRIC Position to ensure that Guidelines on State aid for climate, environmental protection and energy 2022 supports the European Green Deal objectives

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EuRIC welcomes the public consultation on the draft Guidelines on State aid for climate, environmental protection and energy 2022 (CEEAG) which supports the [European Green Deal objectives](#). State aid plays a key role in supporting the transition towards a circular and climate-neutral economy which are strategic objectives of the European Green Deal. The recycling of waste is intrinsically circular and climate-efficient, since the substitution of extracted raw materials with raw materials from recycling saves significant amounts of greenhouse gas emissions (GHG), energy and resources.

The inclusion under section 4.4 of *Aid for resource efficiency and for supporting the transition towards a circular economy* in the CEEAG as a continuation of the section on *Aid for resource efficiency and in particular aid to waste management* is thus welcomed.

Yet, EuRIC would like to draw attention to the substantial adverse effects on the European recycling industry and on circular value chains as a whole that the draft CEEAG will result in, if adopted unmodified.

Waste management and recycling is a chain of various economic activities

As a preliminary remark, contrary to many other economic activities, waste management and recycling are a set of economic activities which encompasses various recovery operations most often carried out by different operators. In addition, in the absence of harmonisation of end-of-waste criteria for most waste streams across the EU, a number of recycled materials are considered as a waste in some countries and a product in others. This is the case for plastics, paper, rubber or wood for which no harmonised end-of-waste criteria exist.

- **Thus, it is absolutely essential to ensure that economic activities recycling waste or using recycled materials, whether classified as waste or as product, are subject to the same conditions in order to avoid distortions between Member States for competition and trade, which is among the core objectives of the draft CEEAG.**

Exclusion of activities falling under NACE Code 38.32 “Recovery of sorted materials” and 46.77 “Wholesale of waste and scrap” from section 4.11

Mechanical recycling contributes to significant resource, GHG and energy savings, as demonstrated by multiple Life Cycle Assessments (LCAs). While section 4.11 deals with aids in the form of reductions for energy-intensive users, recovery of sorted materials (NACE Code 38.32) is currently only included in the current Guidelines on State aid for environmental protection and energy 2014-2020 precisely “because they are economically similar to listed sectors and produce substitutable products (...) (recovery of sorted materials on account of substitutability with primary products included in the list)”. The substitution rationale, largely documented by GHG savings resulting from material recovery, is used in the technical screening criteria (TSC) for a substantial contribution to climate mitigation for “material recovery of non-hazardous waste” in the [first delegated act on sustainable activities for climate mitigation](#). This argument should be further used to include the recovery of sorted materials into section 4.11 of the guidelines.

Additionally, NACE code 46.77 (“wholesale of waste and scrap”) should be further considered for inclusion in section 4.11. In some cases, recovery facilities are classified with this NACE code regardless of the fact that they carry out recovery activities. Based on the arguments above, including this NACE Classification would ensure that some companies undertaking recovery activities are not excluded whilst they nonetheless provide the same contributions to GHG reductions.

- **Excluding the recovery of sorted materials - which encompasses, as described in the NACE Classifications, the widest set of recovery operations to turn waste into secondary materials that substitute virgin materials in production processes - runs against the very objectives of transitioning towards a circular economy and reducing GHG emissions. It would also give an edge to economic activities which may meet the other conditions set in the draft CEEAG Section 4.11 without being the most circular and environmentally-friendly ones.**

Loophole for aid contributing to plastics recycling

Plastics recycling plays a key role in transitioning towards a more circular economy. As illustrated in the [Plastics Strategy](#), “Around 25.8 million tonnes of plastic waste are generated in Europe every year. Less than 30% of such waste is collected for recycling. Of this amount, a significant share leaves the EU to be treated in third countries, where different environmental standards may apply.”

In the draft CEEAG, Annex I listing sectors eligible to aids in the form of reductions from electricity levies for energy-intensive only lists Manufacture of plastics in primary form (NACE CODE 20.16). The description of NACE CODE 20.16 expressly excludes the manufacturing of plastics from mechanical recycling.

Such a narrow scope is incomprehensible as it would exclude the most circular and climate efficient option¹ to manufacture plastics, based on the use of plastics recyclates. As explained earlier on - depending on the stage of processing and on the legal regime which vary across Member States - plastics recyclates are classified as waste (thus falling under supported activities covered by section 4.4) or as products.

It is thus essential to ensure that the manufacture of plastics in primary forms **expressly includes the manufacturing of plastics from recyclates**. The [first delegated act on sustainable activities for climate mitigation](#), based on the [Taxonomy report: Technical Annex](#) of the Technical Expert Group (TEG), clearly set for the TSC of the Manufacture of plastics in primary form (NACE CODE 20.16) to be deemed a substantial contribution to climate mitigation where “the plastic in primary form is fully manufactured by mechanical recycling of plastic waste”².

A mere reference to NACE CODE 20.16 is largely insufficient and would exclude from the scope of supported activities the most circular and climate-efficient option to manufacture plastic.

- **We thus kindly request the European Commission both to be consistent with the work carried out in drawing delegated acts to implement the Taxonomy Regulation – based on the work done by the TEG and currently the Platform on Sustainable Finance – and support sectors which are vital to the transition to a more circular economy to expressly include the manufacturing of plastics in primary form by mechanical recycling of plastic waste among the supported sectors covered by section 4.11.**

¹ For more facts on plastics recycling environmental benefits, [EuRIC Plastics Recycling Factsheet](#).

² The TSC read : “The activity complies with one of the following criteria: (a) the plastic in primary form is fully manufactured by mechanical recycling of plastic waste; (b) where mechanical recycling is not technically feasible or economically viable, the plastic in primary form is fully manufactured by chemical recycling of plastic waste and the life-cycle GHG emissions of the manufactured plastic, excluding any calculated credits from the production of fuels, are lower than the life-cycle GHG emissions of the equivalent plastic in primary form manufactured from fossil fuel feedstock. Life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018153 or ISO 14064-1:2018154 . Quantified life-cycle GHG emissions are verified by an independent third party.”