

HIGH LEVEL INSIGHTS ON CIRCULAR ECONOMY POLICY MATTERS

An initiative of the
Capital Equipment Coalition
in Europe

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Who we are

We are the Capital Equipment Coalition (CEC) in Europe: a project striving for a circular capital equipment industry, where material loops are closed and value is preserved to its fullest extent across product life cycles. The Coalition comprises forward-thinking companies—including ASML, Cisco, Damen, Dell Technologies, Enel, KPN, Lely, Philips and Vanderlande Industries—active in the industry representing a broad group of physical hardware products, from data servers and medical scanners to equipment for power plants, robotics and ships. We advocate for the uptake of circular strategies and the crucial benefits they bring. The circular economy is increasingly being linked to decarbonisation—and research by Circle Economy shows that a circular transition across sectors could positively contribute to global climate goals and limit warming to well below 2-degree celsius.¹ We see a critical opportunity to create impact through collaboration between our leading businesses, government officials and policy makers. We appreciate the leadership shown by the European Commission and European governments, and we support the ambition to make Europe the first climate-neutral continent by 2050. We recognize the Green Deal and the Circular Action Economy Action Plan will play a critical role in achieving the climate-neutrality goal and advancing the circular economy. We submit this document to you as follow-up to the discussion on EU regulation presented at the previous PACE board meeting, with the hope of conveying the industry's potential for change.

Why is the urgent adoption of circular strategies in the capital equipment industry essential?

Capital equipment represents a broad group of physical hardware products, all indispensable in meeting societal needs and expanding what can be achieved in areas from connectivity and energy to healthcare and logistics. Yet this is not without huge impact: today the industry is highly dependent on materials, consuming 7.2 billion tonnes of raw materials globally each year. While this amounts to just 6.5% of global material consumption by mass, it represents more than half of the world's ore extraction.² Optimising capital equipment stocks and use—the majority of which can be achieved through circular strategies—will curb current environmental impacts stemming from the over extraction of precious and rare earth metals. Raw and renewable materials are also necessary for the development of energy transition technologies (wind, PV, batteries, fuel cells, etc.), therefore, approaching those materials in a circular manner will become of even greater importance.

Why are we addressing you today?

Legislation, public policy initiatives and procurement can play a crucial role in incentivising and driving the capital equipment industry towards a circular economy. Hereby, we would like to share the emergence of three high-priority areas of regulations that address important policy ambitions that, however, may unintentionally hinder the uptake of circular principles if not carefully addressed.

Chemical legislation

Current legislation on chemicals imposes several restrictions and reporting obligations. The CEC acknowledges the importance of phasing out hazardous chemicals, yet those policies can lead to barriers for a circular transition in the capital equipment industry. The circular economy aims to extend the functional lifetime of goods beyond what our linear economy currently achieves. To support this transition, policy should allow for capital equipment parts and systems to stay in use, and be reused, refurbished or remanufactured, by making appropriate exceptions and implementing reasonable transition times for capital equipment. The members of the European cohort of the CEC look forward to jointly exploring, with

¹ Circle Economy. (2021). The circularity gap report 2021 (pp. 1-71, Rep.). Amsterdam, Netherlands: Circle Economy. Retrieved from: [CGRI Website](#)

² Circle Economy. (2019). *The circularity gap report 2019* (pp. 38-39, Rep.). Amsterdam, Netherlands: Circle Economy. Retrieved from: [Circle Economy Website](#)

stakeholders at large, potential solutions to balance the aims of non-toxic material cycles and resource efficiency via recycling and repair in a timely manner.

Cross-border movement of capital equipment and parts

Currently, proposed regulations are being promoted that could hinder efficient, large-scale transboundary movement—which is crucial for the successful implementation of a circular model for capital equipment. The purpose of these regulations (e.g. the Basel Convention) is to protect humans and the environment from hazardous waste, however, sometimes identifies unclear definitions of what constitutes 'waste'. In our perspective, if a product, system, or component can be given a second or even a third life, it is not waste—it is a resource. The current classifications sometimes limit importing and exporting of refurbished parts and systems intended to be reused (after repair or refurbishment), and also their movement within a specific country. As a circular economy centres on keeping goods in use for as long as possible, so the ability of such products and components to move from place to place for repair, refurbishment, remanufacturing and reuse is crucial. A review of cross-border regulations such as the Basel Convention is therefore essential to a circular capital equipment industry. Regulations should recognise the potential of a circular economy by allowing the free movement of non-wastes and non-hazardous wastes and should not act as a barrier to companies taking on circular ambitions.

Right to repair

Repairing capital equipment requires specialised skill sets and training to provide safe, quality and efficient repair. A range of issues—in safety, reliability, performance, warranty and intellectual property—can emerge as a consequence of subpar repairs. As 'right to repair' regulations manifest, it is important that those regulations recognise the difference between Business-to-Consumer (B2C) and Business-to-Business (B2B) products. If repair is done improperly, without the correct expertise, capital equipment (B2B) is far more likely to encounter significantly impactful issues that affect products' lifetime. Whereas 'right to repair' may be considered to work well for most B2C products, there is a risk that it inhibits rather than enables circularity in the B2B context. Capital equipment companies have carefully planned, tailored repair processes in place, to ensure long product lifetimes and that their customers' needs are met. A complete lifecycle management is a common scenario in our industry. Agreements in the contract lets customers make use of manufacturer warranties and service programs that help them keep their business run smoothly and thereby support (capital equipment's) life-extension. These contracts assure the protection of the original manufacturer and customers' data, and further champions the principle of circularity.

Final words: bringing change to an established industry

The circular economy, if fully realised, carries huge potential: it has the power to close the Emissions Gap and contribute considerably to the goals of the Paris Agreement,³ while substantially reducing material consumption. The capital equipment industry has the potential to galvanise the change that must be seen across industries in this transition. Governments have the power to drive the uptake of circularity in the industry by ensuring a business environment that internalises negative externalities and creates the necessary alignment between economic incentives and environmental and social outcomes. We are therefore asking you to support us in engaging the relevant stakeholders, so that the chemicals, cross-border movement and 'right to repair' regulations will also be considered in light of the capital equipment industry, which requires different approaches in closing the circularity gap. Should you require more detailed information, the CEC is eager to open up the conversation and jointly find solutions to tackle climate change with circular strategies.

³ Circle Economy. (2021). The circularity gap report 2021 (pp. 1-71, Rep.). Amsterdam, Netherlands: Circle Economy. Retrieved from: [CGRI Website](#)

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CAPITAL EQUIPMENT COALITION PLEDGE 2021 UPDATE

ASML



DAMEN

DELLTechnologies

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PHILIPS

VANDERLANDE

The Capital Equipment Coalition's plan of action

Circular strategies can play an immense role in minimising the environmental impact of capital equipment, addressing resource scarcity, increasing market resilience and developing value chain sustainability. During the creation of the Capital Equipment Action Agenda, the Capital Equipment Coalition worked to formulate three objectives to make capital equipment more circular:

- 1) Design products and components that follow circular and digitalisation principles for minimal resource consumption and increased reuse strategies;
- 2) Maximise value retention by optimising the product and component utilisation rate and use life, through servitization and digitalisation;
- 3) Ensure the equipment and components are returned for reuse via efficient reverse logistics at end-of use.

The Capital Equipment Coalition has set a goal to steer towards these objectives by openly sharing progress and insights, creating awareness on the need to transition, and engaging and enabling other players in the public and private sector with the knowledge to accelerate collective progress towards a circular economy.

For more information on the Capital Equipment Coalition and the Action Agenda, please read more via pacecircular.org/capital-equipment-coalition and pacecircular.org/action-agenda/capital-equipment.