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Research Report

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The EU-CEAP Impacts on Developing Countries – Recommendations for Development Policy

Jenny To

Summary

The European Union Circular Economy Action Plan (EU-CEAP) is key to transitioning to a circular economy and climate neutrality under the EU Green Deal, with developing and emerging countries (DECs) playing an important role. First, DECs are essential for the primary material chains, for example, supplying material for electric vehicle (EV) batteries to the European Union (EU). Second, DECs are involved in secondary material chains: To recycle its plastic packaging, Europe relies on DECs. But despite the essential role DECs play in Europe's transition to a circular economy, the EU-CEAP's impact on DECs has largely gone unexamined in literature and policy discourses – a shortcoming that could reinforce Eurocentrism and jeopardise the much-needed willingness to cooperate on multilateral solutions to global challenges (Messner, 2022). This policy brief and associated discussion paper (To, 2022) outline challenges and opportunities for DECs that are related to the EU-CEAP and present recommendations for German development cooperation.

In the **plastic packaging sector**, DECs will likely be impacted by stricter waste shipment regulation (WSR), along with higher EU recycling targets, mandatory recycled content for plastics, and bans on certain single-use plastic items. Hence, the following recommended policy actions:

- To lower the risks of illegal plastic waste trade and disposal, DECs must be helped to enforce the WSR and meet tightened import regulations.
- The impact of plastic waste imports on DEC domestic markets in light of changing WSR must be monitored; discussion about stricter EU waste export regulations should be initiated accordingly.
- In response to plastic waste imports, plastic recycling in DECs must be improved by raising standards and investments in advanced machinery as well as working conditions for informal labourers.

- Changing EU plastic ban regulations must be monitored to anticipate increased demand for plastic alternatives.

For **EVs and batteries**, EU-CEAP regulations that could impact DECs include stricter due diligence requirements for raw materials, higher targets for retrieving secondary battery materials, as well as reusing, repurposing and recycling EVs and their batteries. In response, the following policy actions are recommended:

- Help DEC suppliers meet tighter supply-chain requirements in light of the expected steady increase in demand for virgin raw materials from DECs.
- Help expand road infrastructure to make it possible to reuse EVs, ensure EV batteries for repurposing, and provide recycling machinery and know-how.

This policy brief demonstrates that German development cooperation needs to assist DECs in preparing for rising demand for primary materials and tighter due diligence requirements, and also support secondary material supply chain actors. Beyond enabling the European circular economy, German development cooperation would thereby help DECs to also benefit from the transition.

Implications for DECs and recommendations for development cooperation

The European Union Circular Economy Action Plan (EU-CEAP) was introduced in 2015 and revised in 2020. Despite the prominent role of DECs in Europe's transition to a circular economy, the strategic document of the European Commission (EC) only outlines the EU's effort to "support a global shift to a circular economy" by proposing global agreements, alliances and partnerships (European Commission, 2020). It does not address the impact of regulations beyond Europe. The EU-CEAP highlights seven key product value chains: electronics and information and communications technology (ICT); batteries and vehicles; packaging; plastics; textiles; construction and buildings; and food, water and nutrients. Policy processes are the most advanced in the plastic packaging and EVs and batteries sectors, with many directives under review. Both sectors have strong interlinkages with DECs in supplying raw materials (primary material chains) or collecting, sorting and processing materials for reuse, repurposing and recycling (secondary material chains). This policy brief outlines the EU-CEAP policy measures which can be expected to impact DECs and development policy recommendations for both sectors. Some EU-CEAP policy proposals are still under review: These recommendations pertain to the June 2022 policy drafts.

Plastic packaging

For the plastic packaging sector, the EU-CEAP policy proposals expected to impact DECs concern updated regulation on transboundary waste shipments, recycling targets, mandatory recycled contents for certain plastic packaging types and bans on single-use plastic. Hence, the following policy actions are recommended:

Support WSR monitoring and enforcement:

The EC's proposed WSR revision of November 2021 included various measures to reduce the

risks from the illegal waste trade and dumping of non-recyclable waste. Previously, waste havens, illicit landfilling and burning occurred in Southeast Asia, contaminating waterways and air. If the WSR changes are adopted, importing facilities would be required to perform audits and demonstrate adequate waste management strategies and capacities. Development cooperation is therefore advised to help plastic waste recipients in DECs fulfil these requirements.

Monitor the economic, ecological and social impacts on DECs of (European) plastic waste imports:

While the proposed WSR revision introduces more stringent import regulations, development cooperation needs to closely monitor how European plastic imports impact recycling markets and create socio-ecological externalities in DECs: imports could discourage recycling domestic waste, while stricter import regulations could incentivise domestic recycling. Should negative impacts prevail, discussion should consider further restricting the export of European waste to DECs.

Raise the quality of recycled plastics and labour standards.

Europe's higher recycling targets and mandatory recycled plastic content requirements could open up new market opportunities for DECs to export recycled plastics. Currently, multiple barriers impede market entry for DECs, which might be better off building capacities and scale in local recycling markets before entering international markets. Development cooperation can assist partner countries with higher quality recycled plastics, labour standards compliance, improved working conditions for informal workers and advanced recycling machinery training. In the long term, these measures would also help make DECs more competitive in European and/or other foreign markets.

Monitor changes to the ban on single-use plastic and other demand drivers for plastic alternatives:

The Ban on Certain Single-Use Plastics currently limits 10 items, so it is not expected to significantly impact primary material

chains: suppliers of alternative and natural materials like cotton, jute and paper. However, there are debates about extending the scope of the ban (Rethink Plastic Alliance, 2021). Development cooperation should monitor regulatory changes and anticipate demand increases for paper from Indonesia or jute from Bangladesh or India. Aside from regulatory changes, demand drivers could also include greater consumer awareness and corporate demand.

Electric vehicles and batteries

Europe's shift to electric mobility will further stimulate demand for raw materials for batteries such as cobalt, copper, nickel and lithium. The explorative study by Langsdorf and Duin (2022) discusses the impacts on cobalt and copper suppliers, so this policy brief focuses on nickel and lithium.

Help battery primary material suppliers fulfil supply chain obligations: The EU's Battery Regulation proposal and agreement on a "General Approach" is considered a milestone because it would replace the current Battery Directive, be binding for EU member states and cover the entire battery lifecycle. Despite the Battery Directive/ Battery Regulation proposal and the related recycling efficiency, material recovery and recycled content targets, primary materials are expected to be imported from Indonesia (nickel) and Chile (lithium) until at least 2030. This is due to insufficient recycling capacities and investments, the low economic attractiveness of recycling and low prices for virgin materials. Hence, development cooperation should help prepare DEC's for the continuously increasing demand for primary materials by helping governments issue mining regulations to protect the environment (as in banning deep-sea tailings disposal and promoting adherence to international mining guidelines). Moreover, development cooperation could help producers meet the due diligence obligations and audits suggested in the Battery Regulation proposal, while also helping local

communities impacted by mining preserve their livelihoods.

Support DEC's in all steps of the EVs and batteries secondary material chains. With sales of EVs expected to rise in the next years, reusing, repurposing and recycling EVs and their batteries will become more important. Covered by European regulation, these steps also impact DEC's. The EU End-of-Life Vehicles Directive stipulates that vehicles must be **reused** and their disposal prevented. However, it does not ensure quality imported vehicles. Development cooperation could help major importers of vehicles in West and North Africa introduce more stringent quality and safety standards for imported vehicles and improve their electric mobility and grid infrastructures to accommodate more EVs. For DEC's, the **repurposing** of discarded EV batteries for energy storage envisioned in the Battery Regulation proposal could help expand renewable energy, particularly in rural areas. Existing barriers concern the technical condition, availability and price with respect to importing and repurposing EV batteries. Since EU regulation lacks more concrete (quantified) targets for repurposing, development cooperation could address import availability and conditions: Help importing countries meet regulations imposed by the EU WSR and the Basel Convention. Development cooperation could also advocate repurposing regulation that integrates design, standardisation and labelling requirements. The EU-CEAP and Battery Directive/ Battery Regulation proposal further address **recycling** EV batteries as a core measure of circularity. In theory, this could take place outside the EU and the first stages of EV battery recycling could be profitable for DEC's. To advance recycling, DEC's need development cooperation support to boost financial capacity, technical machinery and training for disassembling increasingly complex battery modules. Design, standardisation and labelling regulations would also facilitate recycling.

Conclusion and outlook

Previous analysis of the EU-CEAP showed that the European transition to circularity is interlinked with and interdependent on DECAs in primary and secondary value chains and revealed gaps in German development policy: Approaches to promoting the circular economy focus on domestic waste management – waste prevention, collection and recycling – especially plastic packaging and waste from electrical and electronic equipment (BMZ, 2019; PREVENT Waste Alliance, 2022). This policy brief highlights the need to add EVs

and batteries to circular development policy. Focus on plastic packaging needs to be expanded beyond domestic waste management – strengthening regulations on imported waste and markets for recycled plastics. The global impacts of the EU-CEAP mean that German development cooperation can only keep pace with the risks and challenges of the globalised circular economy if its policy considers entire product lifecycles including supply chain due diligence, eco-design, waste shipment imports (including regulations), reuse, repurposing and recycling.

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