

Windsor Framework Democratic Scrutiny Committee

OFFICIAL REPORT (Hansard)

Regulation (EU) 2024/1781 of the European Parliament and of the Council of 13 June 2024 Establishing a Framework for the Setting of Ecodesign Requirements for Sustainable Products

NORTHERN IRELAND ASSEMBLY

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11 July 2024

Members present for all or part of the proceedings:

Mr Philip McGuigan (Chairperson)
Mr David Brooks (Deputy Chairperson)
Dr Steve Aiken
Ms Joanne Bunting
Mr Stephen Dunne
Ms Connie Egan
Mr Declan Kearney
Ms Emma Sheerin
Mr Eóin Tennyson

Witnesses:

Dr Victoria Trimble Department for the Economy

Mr Shane Doris Department of Agriculture, Environment and Rural Affairs

Mr Anthony Miller The Executive Office

The Chairperson (Mr McGuigan): I welcome to the Committee meeting Dr Victoria Trimble from the economic policy group, Department for the Economy; Shane Doris, director of the environmental policy division in DAERA; and Anthony Miller from the Executive Office. I will hand over to you to go through the details of this from your point of view.

Mr Shane Doris (Department of Agriculture, Environment and Rural Affairs): I thank the Committee for its time this morning. I appreciate the opportunity to provide some background on the published replacement act, Regulation (EU) 2024/1781, establishing a framework for the setting of ecodesign requirements for sustainable products. The regulation replaces directive 2009/125/EC, contained within the Windsor framework, annex 2.

You will be aware from the papers provided that ecodesign for sustainable product regulation (ESPR) is reserved policy, and therefore our briefing is very much set in that context, albeit informed by the UK Government (UKG) explanatory memorandum (EM), which you will have seen. You will have noted from the EM that it was jointly submitted by the Department for Energy Security and Net Zero, the Department for Environment, Food and Rural Affairs and the Department for Business and Trade, demonstrating the cross-cutting nature of the regulation, which is also reflected in our attendance today from three Departments, with no designated Northern Ireland Civil Service (NICS) lead Department for the regulation itself.

As ESPR is a framework legislation that confers power to set targeted product-specific requirements, introduced using delegated acts, future departmental responsibility will be dependent on the delegated act or the product in question. Whilst ESPR is in itself reserved, some of the delegated acts made in relation to other products could cover areas of devolved competence.

I will now give a summary of the act. The regulation updates, modernises and extends the existing framework that ensures that energy-related products are manufactured to be sustainable. The regulation extends the scope of products that can be regulated from energy-related products to all physical products, with certain exceptions. It also allows for the setting of a wider range of requirements to make products more durable, reliable, reusable, upgradable and repairable; easier to maintain, refurbish and recycle; and energy- and resource-efficient.

On planned next steps, the Commission aims to publish a three-year working plan in March 2025, which will confirm the initial products to be regulated under ESPR and is expected to include iron and steel, aluminium, textiles, furniture, tyres, detergents, paints, lubricants, chemicals, energy-related products and information and communication technology products, and other electronics. Those 11 initial products help to demonstrate the scope of the regulation, with the likelihood of some requirements being specific to each delegated act. That also helps to explain why it is impossible to be definitive in assessing the overall impact at this stage. However, it is worth noting at this point that there will be a clear process for developing each delegated regulation, which will follow the model under the existing ecodesign directive. Each regulation will be supported by a preparatory study and impact assessment. An ecodesign forum will be established in the form of a commission. An expert group to ensure consultation with the interested parties will be open to all stakeholders and experts in the product life cycle. ESPR requires the Commission to take into account the views expressed by the ecodesign forum when preparing ecodesign requirements. That will help inform the product-specific requirements introduced using delegated acts.

Although we will touch on it later in the assessment of the impact, it is worth noting at this stage that the EU regulation makes specific reference to SMEs, and I expect that the Committee will have a particular interest in those, given their prevalence in Northern Ireland. One extract of this reads:

"SMEs could greatly benefit from an increase in the demand for sustainable products but could also face costs and difficulties due to some of the requirements. The Commission should, when preparing ecodesign requirements, take into account their impact on SMEs, in particular on microenterprises, active in the relevant product sector."

The delegated acts will also make provisions related to digital product passports; unsold goods requirements — in particular, an obligation on economic operators to disclose information on the destruction of unsold consumer goods and any preventative measures; and a more targeted prohibition of destruction of unsold goods. There will also be delegated acts in relation to green procurement and market surveillance.

As mentioned, the Commission aims to publish a three-year working plan in March 2025. The adoption of the first product-specific ESPR measures is expected to follow in 2026, with the first product requirements starting to apply in 2027-28. Delegated legislation is expected for acts in relation to unsold goods destruction and digital product passport registry in mid- and late 2025. Transitional measures will be in place to preserve measures under the existing ecodesign framework.

Moving on to an initial assessment of the impact, as I mentioned, ESPR is a reserved policy.

The Chairperson (Mr McGuigan): Shane, apologies for interrupting you. I have just been made aware that our online members, who are numerous today, have been frozen out of the meeting. If you do not mind, I am going to ask you just to pause for a few minutes, because it is important that everybody gets to hear what you are saying.

Mr Doris: No problem.

The Chairperson (Mr McGuigan): There are just some technical glitches online. Technology has gone on its holidays.

Mr Doris: Are there any elements that you want me to repeat when they come back online, or are you happy to move on?

The Chairperson (Mr McGuigan): We will just carry on from where you left off.

The Committee suspended at 10.37 am and resumed at 11.18 am.

The Chairperson (Mr McGuigan): We paused the meeting when the technological difficulties arose. Shane had been in the midst of giving evidence. If you are happy enough, Shane, I ask you to recommence your evidence.

Mr Doris: Thanks, Chair. I will pick up from the initial assessment of impact rather than revisiting my introduction, if everyone is content with that.

As I mentioned in my introduction, ESPR is a reserved policy, with no lead NICS Department. Therefore, much of the response is informed by the assessment that was provided by the UKG. However, where possible, we will aim to provide a view from our individual areas of interest.

The regulation relates to the full product life cycle, but DAERA's interest is focused mainly on product end-of-life stage. From a DAERA perspective, we expect there to be a positive impact on the everyday life of communities in Northern Ireland, in a way that is liable to persist.

The regulation will support production and consumption patterns that align with Northern Ireland's sustainability targets. The new ecodesign requirements that are contained in the regulation should improve product durability, reliability, repairability, reusability and recyclability. That could, in turn, increase products' resource efficiency, reduce their expected waste generation and increase their recycled content, all of which would contribute to reducing carbon footprint and negative environmental impacts. The regulation could enable the establishment of repairability and durability scores for products and provide data, which is currently unavailable, that would aid the measurement of waste prevention targets, including those on reuse and repair activities. Those measures in combination should ultimately see a reduction in waste that is sent for destruction and to landfill, leading to a reduction in costs to those councils that process the waste.

The UKG EM notes alignment with DEFRA's ambitions on proposals that are in its 'Maximising Resources, Minimising Waste' publication, extended future responsibility and the potential to shift consumer and business behaviour towards achieving net zero and environmental goals. We support those sentiments.

Conversely, DAERA's current understanding is that not applying the replacement EU act would be a lost opportunity and potentially have a negative impact on Northern Ireland's transition to a circular economy. It would not support the aim of lowering resource consumption to help reduce the use of virgin materials and of using, in a resource-efficient manner, what would otherwise be considered waste. Ecodesign measures support producers to build waste into their design processes and implement business models in order to enable the transition to a circular economy.

Beyond the areas of interest that I have spoken about from a DAERA viewpoint, there are considerations about regulation, whether through the Northern Ireland Trading Standards Service, the Health and Safety Executive (HSE) or whoever the competent authority may be, plus the wider trade impacts. Those aspects have been considered in the UKG assessment and the European Commission's analysis and set out in the response that our DFE colleagues provided. The UKG assessment of impact has been provided by the Department for Energy Security and Net Zero, the Department for Environment, Food and Rural Affairs and the Department for Business and Trade, and it includes specific references to NI business and trade.

NI manufacturers may need to apply the new ecodesign requirements to products in scope of the regulation. Any further sector-specific impacts would depend on the delegated acts that are introduced under the new framework, which the UK Government and NI officials will keep under careful review.

There will be limited impact on the movement of goods between GB and NI. Companies in NI can continue to sell products that are manufactured in NI across the whole of the UK under the legal guarantees of Northern Ireland's permanent unfettered access to the rest of the UK. Through that, goods moving from NI into GB will be able to bear the CE marking. Goods moving from GB to NI are unlikely to be affected, as they are likely to comply in any case with the new regulation. That is because the overwhelming majority of GB-based businesses serving the NI market also export to the EU market.

The EU impact assessment reports that businesses, including SMEs, will face additional costs that will be analysed in the context of future implementing measures, with possibilities for mitigation considered in the accompanying impact assessments. Any compliance costs would be proportionate, and some may be passed on to consumers.

For businesses that are operating across EU borders, harmonised requirements at EU level are likely to reduce overall compliance costs, given that they will replace existing or planned requirements at national level. There will also be direct benefits to the competitiveness of businesses, including from a shift of activity from processing primary raw materials towards secondary raw materials and from producing goods to maintenance, reuse, refurbishment, repair and second-hand sales, which is expected to benefit SMEs significantly because they are more active in those sectors.

While SMEs have suggested that certain negative impacts may stem from some of the main measures that are under the preferred policy options, many also believe that those can be offset and that the measures will bring added value over time, due, for example, to reduced material expenditure, increased customer loyalty, better access to the market for greener products and reputational benefits. I appreciate that that was a brief overview and that it repeated many elements of the written briefing. I tried, however, to draw out some of the key points, which may address some initial queries: notably, the function of the ESPR as framework legislation that confers powers to set targeted, product-specific requirements introduced using delegated acts; the acknowledgement that it is impossible to be definitive in assessing the overall impact at this stage, as that will ultimately be determined by the combined effect of the delegated acts that follow; the detail of the process for developing each delegated regulation, which will include a preparatory study, an impact assessment and consultation with interested parties, product experts and stakeholders and the specifically noted consideration of SMEs; the alignment of the overall aspirations of the regulation with our ambitions for the environment and the circular economy; and the assessment, supported by UKG, that there would be limited impact on the movement of goods between GB and NI, companies in NI can continue to sell goods and products manufactured in NI across the whole UK and goods moving from GB to NI are unlikely to be affected.

I hope that I have presented this in a manner that will help the Committee in its decision-making. We are, however, happy to take questions, and we will try to answer those to the best of our collective knowledge, albeit in the context of this being a reserved matter.

The Chairperson (Mr McGuigan): OK, Shane. Thank you. Before I move to questions, Victoria and Anthony, do you want to add anything to that from your perspective?

Dr Victoria Trimble (Department for the Economy): No, thank you, Chair. I have nothing to add to Shane's evidence.

Mr Anthony Miller (The Executive Office): I have nothing to add, thank you, Chair.

The Chairperson (Mr McGuigan): The witnesses will now take questions. I ask members to indicate, and we will take questions in that order.

Mr Brooks: Thank you, Shane, for your presentation. I understand that you are here to give a presentation that is very much based on the Department's remit and is, therefore, along environmental lines. I do not think that anyone doubts that there will be environmental benefits. It is more about looking at the balance that the legislation strikes. You accepted, towards the end of your presentation, that some businesses would have concerns about the cost implications and that it might bring new pressures to bear on them. You also said that a number of SMEs feel that it would be beneficial. If manufacturing goods to those standards would be beneficial, is there any reason why they would do not do that without the legislation anyway?

Mr Doris: Thanks, David. As you mentioned, there are obvious environmental benefits. We have considered that. We viewed this from two angles. First, we looked at whether it could cause a specific detriment or disadvantage to NI businesses. In that regard, from looking through the UKG assessment, that does not appear to be the case, as there will still be access to the GB market. Also, it will still be up to the businesses themselves: should they wish to trade with the EU, they will have to comply regardless, and there is no expected restriction on the availability of goods coming into NI.

For the SMEs, I suppose that it is part of a wider transition to a circular economy. The issue will come up across a number of areas on which we are focused. It is all part of a wider change process that will

require changes in business models and markets. Each of those, however, will have transitional periods, and there will be specific considerations for SMEs as part of that. I went through the regulation, and there are specific references to SMEs throughout it; in fact, there is a particular article around that. Article 22 mentions the avoidance of disproportionate impacts on SMEs and the need to make sure that the administrative burdens are considered along with any potential costs, as well as any available mitigations of those

Mr Brooks: Thanks. It is fair to say that, for some companies, the change is driven by legislation, rather than it necessarily being of benefit to them. I accept what you said about how we have continued access to the GB market through the deal that we agreed. However, what concerns me is not just access but our competitiveness with GB goods and how we sell to what is our largest market. I do not have the answer, but that is why it may be worth looking into it further.

Mr Doris: At the moment, anything that is produced in Northern Ireland that bears the CE mark can still be sold into the UK market. Others will correct me if I am wrong in that assumption, but I do not think that that would be a barrier. It would be —.

Mr Brooks: I am not arguing that it is a barrier. What I was saying was that you are right that we will have access to the GB market but that that access will not be of benefit if it involves forcing Northern Ireland businesses to comply with regulations in a way that is not expected of GB businesses. Doing so drives up costs and therefore the price of the product going into GB, which, in effect, makes it uncompetitive anyway. That was my argument. I am happy for you to respond, but I am not necessarily looking to you to do so. I just wanted to put on record that, yes, we have the access, but the legislation may create cost increases that are passed on to consumers, which would make Northern Ireland products uncompetitive, even though they may be, through legislation such as this, more environmentally friendly.

It is therefore about striking the right balance. I recognise that you are heavily on one side of that balance, because the environmental remit is your remit, but we have to consider possible implications for businesses in Northern Ireland. That is not to say that we have an answer, but we need to look into the matter further in order to understand what the consequences may be.

Mr Doris: I definitely take your point. From a competition viewpoint, it is again worth noting the point that is made in the impact assessment that, ultimately, UK businesses will apply the vast majority of the regulations because they wish to trade with the EU, so it will not be a case of Northern Ireland companies implementing them while UK companies do not and, as such, their being at a disadvantage.

Specific consideration is given to SMEs. We have seen in other areas exemptions based on the size of the company, how much it puts to market and other factors. How relevant the delegated acts are will be established as they evolve, given that a lot of NI companies are SMEs, so a lot of this may not apply to them, or there may be exemptions or a scale governing the degree to which the regulation will apply to them.

Mr Brooks: You have shown in that answer that it is also about how what is to come is, to some degree, unknown and may require further scrutiny. Thank you very much for your answers, Shane.

Mr Kearney: Thanks, Shane and colleagues. Before you came into the meeting, we confirmed with officials, with reference to the delegated acts that the British Government will continue to keep under scrutiny, that, in order to ensure that the Committee optimises its scrutiny responsibilities, it will be kept in the loop by the relevant officials in London. We will write to them to ensure that we are kept abreast of how the delegated acts are assessed in the coming period. That is by way of information.

I have three quick questions. First, can you confirm your assessment that no detriment to businesses is likely to arise?

Mr Doris: Do you want me to answer each question in turn?

Mr Kearney: Yes. I will ask my questions in turn rather than all together.

Mr Doris: I picked up on some of the points in response to David, but I will refer that element to Victoria, if you do not mind.

Mr Kearney: Of course not.

Dr Trimble: Apologies; I am conscious that it is difficult to refer a question to another witness in a Teams meeting. On whether, definitively, there is not a detriment —. Can you hear an echo, or is that clear?

Mr Kearney: You are coming through clearly. Just so that you are clear on the question that I am asking, is it your assessment that there is unlikely to be significant business detriment?

Dr Trimble: That there is no detriment? Sorry, there was an echo in the room. The evidence available from the EU and UK Government's assessment of the consultation responses that they have received is that SMEs and some businesses are concerned that there could be initial cost implications for producers. However, those assessments are not definitive in saying that that is a detriment that would not then be offset by potential advantages. There may be initial costs to producers from compliance, which could also then be passed on to consumers, but the EU has also flagged that that initial cost outlay to consumers could be offset by those products being more durable and repairable, so there would be a smaller outlay in the longer term.

There is also the fact that SMEs could benefit in other ways and, for example, have a higher market share in areas where the ESPR would encourage growth, such as repairability and recyclability, which are not the remit of larger companies. As Shane highlighted, we cannot say definitively that there will be no detriment until we see the detail of the delegated acts. The importance there is putting forward those positions, making sure that potential detrimental impacts are highlighted and that the EU's commitments to mitigations and not placing excessive administrative burdens or doing anything to negatively impact competitiveness are being enforced.

I am sorry to say that we cannot say definitively on the basis of the framework itself; it is about how the framework is implemented in delegated acts and how the potential mitigations that are integrated into that framework can operate to make sure that, if there is a detriment, it is minimised and offset by a potential advantage. As Shane's previous answer highlighted, it is also about continued access to markets. We are thinking very much about that impact on producers and consumers in the NI economy, but we also need to think about our continued ability to access the EU market. The measure will be adopted by all EU member states. Our goods would not be able to access those markets if we did not comply with the regulations.

Mr Kearney: Thanks for that. My question was very much framed on the basis of your assessment, rather than expecting that you could provide a definitive or granular prediction.

Victoria, that answer probably overlaps with my next question, so I will shorten it. My understanding from what Shane has said is that, in this evolving situation, the Committee can take it that there is a net advantage to environmental sustainability arising from the change and that that in turn would drive productivity and competitiveness as we expand the circular economy. Is that a reasonable conclusion to draw from Shane's earlier evidence?

Mr Doris: Yes, certainly, that is my assessment of it. It aligns with our ambitions and those of DEFRA. As I mentioned, maximising resources and minimising waste is at the forefront of its waste prevention plan. As you may have seen, its drive for net zero is in the top five priorities of the incoming Secretary of State. The change would very much align with DEFRA's ambitions, as well as with our own, in that regard.

Mr Kearney: Finally — this is an issue that I touched on earlier today — do you agree that the intent and effect of the change with regard to the net advantage to environmental sustainability remains the same as it was in the original framework?

Mr Doris: Sorry, Declan. I missed the start of that question because of the sound issue. Apologies.

Mr Kearney: OK. Do you agree that the intent and the effect of the change remain consistent with the original framework's aim of achieving environmental sustainability and maintaining the drive towards a circular economy?

Mr Doris: Yes, I agree. The intent is the same. The regulation just widens the scope in order to go beyond the specific energy products listed at the time.

Mr Kearney: Thank you.

The Chairperson (Mr McGuigan): Thank you. No other members have indicated to ask a question, so I thank Shane, Victoria and Anthony for coming along today to provide us with evidence and take our questions. I appreciate that, and I apologise for the inconvenience as a result of the technology deficits that we faced. Thank you very much.

Mr Doris: Thank you.