

## INCEPTION IMPACT ASSESSMENT

Inception Impact Assessments aim to inform citizens and stakeholders about the Commission's plans in order to allow them to provide feedback on the intended initiative and to participate effectively in future consultation activities. Citizens and stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have, including on possible impacts of the different options.

<b>TITLE OF THE INITIATIVE</b>	Revision of Directive 2000/53/EC on end-of-life vehicles
<b>LEAD DG (RESPONSIBLE UNIT)</b>	DG ENV, UNIT B3, Waste Management & Secondary Materials
<b>LIKELY TYPE OF INITIATIVE</b>	Legislative
<b>INDICATIVE PLANNING</b>	Q2 2022
<b>ADDITIONAL INFORMATION</b>	<a href="https://ec.europa.eu/environment/waste/elv/evaluation_en.htm">https://ec.europa.eu/environment/waste/elv/evaluation_en.htm</a>

**The Inception Impact Assessment is provided for information purposes only. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by the Inception impact assessment, including its timing, are subject to change.**

### A. Context, Problem definition and Subsidiarity Check

#### Context

The Directive 2000/53/EC on end-of-life vehicles (ELV) was adopted in 2000 with aim to:

- prevent waste from vehicles;
- promote reuse, recycling and other forms of recovery of ELVs and their components so as to reduce the disposal of waste;
- improve the environmental performance of all economic operators involved in the life cycle of vehicles, especially those involved in the treatment of end-of life vehicles.

To this end, the ELV Directive sets out measures relating to:

- The prevention of waste, especially measures to limit the presence of hazardous substances in vehicles and encouragement for Member States to take account and facilitate the recycling and reuse of vehicles and their parts, in the design and production stage of new vehicles;
- The collection of ELV, notably through the obligations for Member States to ensure that authorised treatment facilities (ATFs) are available within their territory, that ELV are transferred to such ATFs, and that the delivery of an ELV to ATFs occurs without any costs for the last holders;
- The environmentally sound treatment of ELVs;
- The setting of targets for the re-use and recycling (85%) as well as reuse and recovery (95%) of components from ELVs;
- The provision of information by producers on components and materials used in vehicles, to facilitate their identification for reuse and recovery.

The car industry is a major sector of the European economy. It generates around 12 million of ELVs every year in the EU, representing about 12 millions tonnes of waste.

The production of vehicles has undergone important changes since the adoption of the Directive 20 years ago. This is the case notably with the increasing use of new technologies and components in cars, such as plastics, carbon fibre or electronics, which present specific challenges for their recovery and recycling from ELVs. The growing number of electric vehicles on the EU market will also bring considerable new challenges to the ELV sector in terms of adjusting to the new treatment processes.

The EVs contain specific parts and components (e.g. batteries), which require specific handling when the vehicles reach the end of their life. The recovery measures adopted to overcome the economic situation created by the COVID 19 pandemic (especially premiums to purchase electric/hybrid cars) are likely to further accelerate the shift to electric cars in the EU, while in the short term also increasing the volumes of vehicles sent for scrapping. It is key that the EU legislation on end-of-life vehicles is equipped to address these new developments.

The ELV Directive also needs to be reviewed in the light of (i) the orientations set out by the European Green Deal<sup>1</sup> and the Circular Economy Action Plan<sup>2</sup>, which define an ambitious agenda to transform the European economy, based on a modern, competitive, low carbon and circular industry, and (ii) the recently adopted EU legislation on waste management.

The European Green Deal and the Circular Economy Action Plan emphasise that the EU policy on waste should put waste reduction at its core, notably through changes in the design of products, promote high quality recycling and facilitate the uptake of recycled materials in new products. They call on the Commission to propose green public procurement (GPP) criteria and targets in sectoral legislation.

The European Green Deal identifies vehicles as one product where *“the Commission will consider legal requirements to boost the market of secondary raw materials with mandatory recycled content”*;

The Circular Economy Action Plan also indicates that *“the Commission will also propose to revise the rules on end-of-life vehicles with a view to promoting more circular business models by linking design issues to end-of-life treatment, considering rules on mandatory recycled content for certain materials of components, and improving recycling efficiency”*.

The Waste Framework Directive<sup>3</sup>, which sets out overarching rules and principles for the environmentally sound management of waste across the EU, has been substantially amended in 2018, with a view to increasing the contribution of the waste sector to a circular economy (notably through the adoption of new provisions on recycling targets and extended producer responsibility schemes).

At the occasion of the revision of the Waste Framework Directive, the co-legislators also agreed<sup>4</sup> that the Commission *“shall review this Directive, by 31 December 2020, and to this end, shall submit a report to the European Parliament and the Council, accompanied, if appropriate, by a legislative proposal”*. It indicates that the ELV Directive *“should be reviewed and, if necessary, amended, taking account of (its) implementation and giving consideration, inter alia, to the feasibility of setting targets for specific materials contained in the relevant waste streams. During the review of Directive 2000/53/EC, attention should also be paid to the problem of end-of-life vehicles that are not accounted for, including the shipment of used vehicles suspected to be end-of-life vehicles, and to the application of the Correspondents' Guidelines No 9 on shipments of waste vehicles”*<sup>5</sup>.

As a first step in the review process of the ELV Directive, an evaluation of its effectiveness, efficiency, added-value and coherence has been carried out by the Commission<sup>6</sup>, which takes into account the elements presented above and will inform the revision of the Directive.

### **Problem the initiative aims to tackle**

The evaluation's provisional conclusions are that the ELV Directive has largely delivered on its initial objectives (notably elimination of hazardous substances from cars, attainment of the recovery and recycling targets, increase in collection points for end-of-life vehicles). An important problem in the implementation of the Directive is however the large number of “missing vehicles”, which are not reported, and represent about 35% of estimated ELVs each year, so approximately 4 million vehicles

<sup>1</sup> COM(2019) 640 final

<sup>2</sup> COM(2020) 98 final

<sup>3</sup> Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives, OJ L 312, 22.11.2008

<sup>4</sup> See Article 10a of Directive 2018/849/EU, OJ 150, 30.5.2018, p. 93

<sup>5</sup> Recital 7

<sup>6</sup> The evaluation is ongoing and should be finalised in October 2020 – the text of the inception impact assessment might have to be adjusted if the evaluation report is not yet published at the time of publication of the inception impact assessment.

per year.

The ELV Directive is also not fully adapted to address the challenges posed by the evolution in the production of vehicles since its adoption in 2000 (increased use of new materials such as plastics, of electronics, critical raw materials and carbon fibre, as well as expected development of the market for electric vehicles).

In addition, the scope of the ELV Directive leaves out a large number of types of vehicles (trucks and motorcycles in particular).

The preliminary evaluation results also suggest that one important challenge for the ELV Directive today is to ensure better consistency with the objectives of the European Green Deal and the Circular Economy Action Plan, notably in the following areas:

- Waste prevention, including eco-design of cars to facilitate re-use, repair, remanufacturing and recycling;
- the potential to increase recycling and re-use and ensure a level playing field for high quality recycling, in light of the current discrepancies in that regard across the EU;
- the promotion of concrete measures to facilitate re-use of parts and high quality recycling of ELV across the EU;
- the use of recycled content materials in the manufacturing of new cars;
- the role played by producers in financing the costs of ELV management, which is today limited compared to other sectors, where producers assume a higher financial responsibility for the end-of-life stage of goods placed on the EU market (based on full-fledged Extended Producer Responsibility (EPR) schemes);
- the coherence between the ELV Directive and other EU legislations (Waste Framework Directive, Batteries Directive, Directive on Restrictions of certain Hazardous Substances<sup>7</sup>, REACH, EU rules on type-approval and on registration of vehicles<sup>8</sup>...).
- better enforcement of the provisions designed to ensure that all ELVs are collected and treated according to the Directive, notably through increased cooperation between and within Member States' on registration/deregistration of vehicles, as well as on the export of ELVs and inspections of ATFs.

The ELV Directive contains general provisions on many aspects which are directly relevant to build a circular model for the car industry and address the challenges of the current car market. Many of these provisions are however not sufficiently detailed, specific and measurable. This is the case for example of provisions in the ELV Directive on the design and production of vehicles to facilitate dismantling and recycling; on the use of recycled materials in new vehicles; or on extended producer responsibility. As a result, they have not brought about real improvements at the EU level to match with the expectations that the car industry should become a truly circular industry.

Without revising it, the current challenges hampering the good functioning of the Directive will become more serious. There will also be no incentive or obligation for the automotive sector to turn to more circular models with respect to its production stage and the treatment of end-of-life vehicles. Especially, the possibility to recover sustainably more materials from ELVs, such as glass, plastics, electronic components and critical raw materials would be lost.

#### **Basis for EU intervention (legal basis and subsidiarity check)**

The legal basis is Article 192(1) of the Treaty on the Functioning of the European Union.

With EU legislation environmental protection from ELVs is made more consistent across Member States: all vehicles put on the EU market have to comply with certain substance restrictions and the treatment of ELVs is subject to the same requirements, designed to reduce the potential pollution linked

<sup>7</sup> Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment

<sup>8</sup> Directive 2005/64 on type-approval of motor vehicles with regard to their reusability, recyclability and recoverability and Directive 1999/37/EC on the registration documents for vehicles

to ELV waste across the EU.

It also establishes a level playing field for all economic actors involved in the production, collection, treatment and recovery of vehicles.

## B. Objectives and Policy options

In line with the Green Deal objectives, the initiative aims at increasing the contribution of the automotive sector to the circular economy and ensuring that the EU legislation on the end-of-life vehicles is adapted to the current and future challenges faced by this sector.

To this end, the Commission will explore different options:

- **Improve implementation and enforcement of the ELV Directive**, without changing its provisions. The Commission would use guidance documents and delegated/implementing acts to address the problems identified in the implementation of the Directive (notably the issue of “missing vehicles”), as well as the promotion of high recycling across EU through better harmonisation of the reporting on the attainment of the re-use, recycling and recovery targets;
- **A targeted modification of the ELV Directive**, through an update of its provisions in order to align them with the overall EU waste legislation, increase their ambition towards a circular model for the automotive sector and improve the enforcement of the Directive. These provisions could notably introduce specific targets for re-use, include more ambitious targets for recycling (per materials); measures to facilitate access of dismantlers to information on parts and materials used in cars, in order to facilitate their re-use, re-manufacturing, dismantability and recycling; adaptation of the Directive on the ban of toxic substances; new requirements for de-registration of vehicles to tackle the problems of “missing vehicles”, notably through their export outside the EU; minimum requirements for inspections of ATFs;
- **An overhaul of the ELV Directive**, through wide-ranging changes designed to transform the automotive sector and make it fully circular. In addition to the changes described in the previous option, the new provisions could include an extension of the scope of the ELV Directive to trucks and motorcycles; requirements to render the design and production of vehicles more circular (to enable easy dismantling and reuse of parts, facilitate remanufacturing and optimal recycling of all materials); setting up a requirement for the mandatory use of recycled plastics in new cars; increase the responsibility of car manufacturers in dealing with the end-of-life stage of vehicles, in line with the approach based on extender producer responsibility applying to other goods placed on the EU market.

These options will be assessed against a baseline, which will be the continuation of the current policy, based on the existing provisions in the ELV Directive. The specific options and associated measures will be further refined during the Impact Assessment process reflecting the problem definition and objectives set above. This might result in a combination of measures from different options.

They may include digital approaches to information exchange, and provisions to further harmonise the implementation of certain procedures and provisions. Particular attention will also be paid to the operational feasibility and implementation of the Directive, the minimization of related administrative burdens and their coherence with other ongoing policies, legal acts and initiatives<sup>9</sup>.

The Commission will also explore whether the Directive should be replaced by a Regulation.

## C. Preliminary Assessment of Expected Impacts

### Likely economic impacts

The initiative should lead to changes in the design and production of cars, increase in the number of spare parts available on the market, increase the EU market for recyclates and secondary raw materials, as well as decrease waste sent for disposal and, possibly, incineration and waste-to-energy facilities. In addition, better enforcement of the ELV Directive should result in a higher number of ELV

<sup>9</sup> This may include several initiatives announced in the European Green Deal and the Circular Economy Action Plan, the Waste Framework Directive and directives related to specific product groups and related waste aspects such as batteries, electronics, packaging and end-of-life vehicles, the Waste Shipment regulation, Directive on the type-approval of motor vehicles regarding their reusability, recyclability and recoverability, Directive on vehicle registration documents.

treated in ATFs in the EU and less illegal activities for the treatment of ELVs in the EU or their export outside the EU.

The possible economic impacts of the initiative will vary depending on the position of the different actors in the supply chain, as well as their engagement and readiness to move to circular production models. The impact of the economic situation linked to the COVID19 outbreak, and of the measures taken in the automotive sector to address it, will also be factored in.

Some of the measures under consideration might generate additional costs for car manufacturers, notably those which are less engaged already in circular processes for the design, production and remanufacturing of their vehicles. The initiative is likely to also have an impact on the suppliers of the car manufacturers, which should also adapt to the new requirements from the ELV Directive. Here again, the initiative is likely to consolidate the competitiveness of the economic actors already working along circular economy processes.

The initiative should consolidate and reinforce the competitiveness of most ATFs and shredders, which are for their large parts SMEs. This would be especially the case if the car manufacturers take on a higher financial responsibility for the treatment of ELV, as this would offset the costs of the dismantling and recovery of some parts and materials which are not always currently profitable. In addition, the initiative should result in a reduction in illegal competition from uncontrolled operators and better market conditions for the sale of spare parts and materials sent for recycling.

The initiative might result in an increase in prices for consumers for the purchase of new cars, while there would be an increased availability of spare parts and second-hand vehicles on the EU market, to a point where their prices would be going down for consumers.

The initiative should boost the market for recyclates and secondary raw materials, first because higher amount of materials would be recovered from cars, which will lead to higher supply of such recyclates. The initiative should also lead to higher use of recycled materials in cars, which will increase the demand for secondary raw materials, especially recycled plastics. Such an increase could generate economies of scale in the recycling sector, make it more competitive and might result in a decrease in prices for recycled materials which are then put back in the economy as secondary raw materials.

Additional enforcement efforts to implement the ELV Directive could lead to increased costs for public administrations, which would have to devote more human and financial resources to this field, but should also bring with it more fiscal resources with the resorption of illegal activities. The costs could also be mitigated through a better use of digital solution (for example use of database for registration of vessels for the purpose of tracking “missing” vehicles).

These economic impacts will be assessed more in depth during the impact assessment.

### **Likely social impacts**

The companies involved in the dismantling, treatment and recycling of ELVs, as well as those selling spare parts, are expected to be the most affected by the initiative, which should lead to an increase in their economic activities. Training will be needed to allow workers to safely dismantle new materials from vehicles. This should in turn result in the consolidation or creation of jobs in these sectors, which are at the core of the circular economy.

The promotion of high quality recycling and the reduction of toxic substances contained in cars should also lead to safer working conditions.

### **Likely environmental impacts**

The most tangible environmental impacts of the initiative are likely to be:

- A reduction in the volume of waste from ELV generated every year across the EU, as well as a reduction in the volume of waste destined to landfills and incineration and their associated detrimental consequences for the environment, notably in terms of green house gas (GHG) emissions;
- Increase in the efficiency of materials use, due to the increased uptake of recycled content and lower use of virgin materials which in turn should translate into lower GHG emissions;
- Reduced risks from the use of hazardous materials due to a better characterisation and management;

- Reduction of the harmful impact of the illegal treatment of ELVs in the EU, but also in developing countries, in relation to the ELVs which are exported illegally outside the EU.

### Likely impacts on fundamental rights

Depending on the options chosen, the initiative holds the potential to contribute to achieving a number of objectives contained in the charter of fundamental rights of the EU, including environmental protection and consumer protection.

### Likely impacts on simplification and/or administrative burden

Administrative burden incurred by economic operators, and enforcement costs and administrative burden regarding the reporting incurred by public authorities are expected to vary depending on the option taken forward. The enforcement costs for the Member States are likely to increase, as most countries are currently not actively enforcing inspections. The precise impact on administrative burden will be investigated as part of the Impact Assessment using the EU Standard Cost Model.

The information requirements likely to be established by this initiative will entail additional activities that the different actors in the value chain will have to carry out, with expected costs. These costs will be assessed. However, taking these measures at EU level may lead to simplifications for manufacturers active on several national markets and preserve a level-playing field for all manufacturers. It may also clarify conflicting provisions existing in different pieces of EU legislation.

At the same time, businesses will benefit from greater clarity and public authorities will have clearer enforcement obligations. Any relevant options for simplification and administrative burden reduction will be taken into consideration, including the use of digital means.

## D. Evidence Base, Data Collection and Better Regulation Instruments

### Impact assessment

An impact assessment will be prepared to support the preparation of this initiative and to inform the Commission's decision. The impact assessment will be developed in the course of 2020-2021. It will analyse possible options to help the policy makers' decision-making process. It will take into account the results of the evidence and data collection process detailed below, as well as feedback from the consultation processes.

### Evidence base and data collection

A comprehensive report on the evaluation of the ELV Directive will be finalised in the Autumn 2020, which contains a large body of data and evidence relating to the implementation of the Directive to date.

Member States report annually on the implementation of the ELV Directive and these reports are compiled and analysed at regular intervals by the Commission.

Data on ELV targets is published annually on the Eurostat website: [https://ec.europa.eu/eurostat/statistics-explained/index.php/End-of-life\\_vehicle\\_statistics#Number\\_of\\_end-of-life\\_vehicles](https://ec.europa.eu/eurostat/statistics-explained/index.php/End-of-life_vehicle_statistics#Number_of_end-of-life_vehicles)

In addition, a large amount of information and studies is published on the Commission website dedicated to the ELVD (see [https://ec.europa.eu/environment/waste/elv/events\\_en.htm](https://ec.europa.eu/environment/waste/elv/events_en.htm) and [https://ec.europa.eu/environment/waste/elv/implementation\\_en.htm](https://ec.europa.eu/environment/waste/elv/implementation_en.htm)).

Supporting data and information will be collected as part of a dedicated external contract to support the impact assessment, and in the course of consultations with stakeholders.

### Consultation of citizens and stakeholders

A consultation strategy will be developed later in the process. As a minimum, it will cover the following consultation activities:

- A public consultation will be carried out during Q2 2021 to gather input from citizens and stakeholders. The questionnaire for the public consultation will be translated into all EU languages and published on the 'Have your say' website. Further consultations will be carried out to gather input from and discuss policy options with a wide range of stakeholders, for example through workshops, conferences, webinars or other means.
- Moreover, a stakeholder meeting will be organised. This meeting will take place after the public

consultation and will assist in identifying and confirming the elements in the options under assessment.

- A summary of all consultation activities' results will be published on the consultation page once all consultation activities are closed.

Particular attention will be paid to consult the following stakeholders, in view of the particular relevance of their activities for the ELV Directive:

- The automotive sector (car manufacturers and all related sectors, notably suppliers and repair services)
- The economic operators involved in the treatment, dismantling, reuse and recycling of vehicles
- Citizens, consumers, especially vehicle owners
- Workers in the industries concerned
- Member State public authorities in charge of environmental and transport (notably vehicle registration departments)
- Non-governmental civil society organisations.

**Will an Implementation plan be established?**

This will be determined later in the process depending on the chosen option.