



# Feasibility of a disposal fee on textile recycling

Report on TOR result 2.5: Research on the feasibility of implementing a disposal fee on textile

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**FFact**

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## Management summary

FFact investigated the feasibility of implementing a disposal fee on textile. Especially the conditions that are needed to implement extended producer responsibility (EPR) are researched. The disposal fee, or better recycling fee, is the price component that consumers pay per piece of clothing or household textile to finance a sustainable recycling without child labour and with decent labour conditions in line with the OECD guidelines. As a follow up of this project we were invited for a tech talk at the OECD forum on due diligence in the garment and footwear sector (see Annex E).

The introduction of EPR for textiles in France has certainly increased the attention of member states for this type of organizing and financing of used textile collection and recycling. We observe that the UK, the Nordic countries and the Netherlands aim at the introduction of EPR for textiles in the next 5 years. The revisited EU Waste Directive of 2018 determines that at the end of 2024 member states must have introduced separate collection of textiles and have prepared re-use and recycling targets for textiles. The outline of the systems that member states will implement is not clear at this moment. Some national governments studied the French system and/or the concept of EPR for other products to prepare a vision.

### **EPR in France stimulated collection to approx. 40%**

We analysed the French system as implemented by Eco TLC, the operator on behalf of industry. The core obligation for the French producers is to financially support sorting with a premium financed by a fee on new textile (TLC). Since the start in 2008 the collected weight of used textiles has increased from 25% to 40% of sold textiles. Also the number of collection points has increased to 44.000, almost the target of one point per 1500 inhabitants. The Eco TLC system has no focus on the transparency and quality of re-use and recycling and is not prepared to introduce a more circular economy or stimulate producers and operators to respect the environment and ethical business practices.

### **Stand still in future development of the French system**

Eco TLC and the government do not agree on the future system. The government opts for the prolongation of the current authorization for a limited period (e.g. 2 year). This would allow the different stakeholders to discuss the future system. Eco TLC would like the current system to be replaced by a full EPR system. They want more contracting power and cost control, e.g. on the premium for sorting that is now limited by them on € 88,20 per ton, where government insists on a higher premium.

### **Dutch industry has to prepare a proposal on EPR**

The Dutch industry has drafted a sector plan in September 2019. During a workshop organised by Sympany as part of this project at 15 January 2020, industry has confirmed that they are studying the request of government and presented their vision on a (voluntary) EPR on textile. The government has the ambition to stimulate the circularity of textiles, but it is unclear if they go for a legal based EPR if the

production industry hesitates to submit the requested proposal. The collection of used textiles from municipalities has increased in recent years, but also the waste content increased from 7% to 12,5-15%. Besides fast fashion results in a decreasing quality of collected textiles. Present collection is estimated at 40-42% of used textiles generated (38% in 2012).

#### **EPR for textile in other member states is under investigation**

During our survey we observed studies, reports and political discussions on how to improve the sustainability of (used) textiles. However, we observed no concrete steps towards a disposal fee or EPR system. In the UK the government recently refused to put a one pence a piece tax on new textiles as proposed by parliament. The UK ministry argues that more work is needed to prepare for a system. This might include working closely with the sector to better understand the benefits of a textiles EPR. This might also include some technical work to strengthen current estimates of textiles consumption and collection in the UK for a better understanding of the current situation. Present numbers indicate a collection of approx. 45% of the relatively high 26,7 kg/capita put on market.

In other surrounding countries there is attention. Collection of used textiles varies from 20% to 55% of used textile generated or textile put on market. Data and monitoring is not consistent. The Belgian federation of textile recyclers reports 70% collection of used textiles, although data of government point at 55%. This is still the highest value observed at 14-15 kg/capita put on market. This is similar to the Netherlands and a reasonable indication of the average for North and West-Europe.

#### **Stakeholders and models for a Dutch EPR on textiles**

From the observations we conclude that the implementation of a disposal fee or EPR system in the Netherlands is feasible in the next 5 years, before 2025, a date that matches with several obligations from the revised EU Waste Directive. The stakeholders in the development are clear:

- National government - has put the topic on the agenda in July 2018
- Industry - has to make a move before the end of 2019
- Municipalities - responsible for waste collection targets in general
- Collection, sorting and recycling sector - operators with knowledge and experience.

To assist Sympany, as one of the largest operators of the sector, we analysed 4 models for EPR that might be in discussion as an example or a guidance:

1. French model on textile (existing, but only financial based EPR)
2. Dutch model on packaging (existing, cooperation with municipalities)
3. EPR for circular textile production and recycling (wide scope, theoretical)
4. EPR for optimal textile recycling (limited scope, theoretical).

All models have its pro and cons. We consider the French model as not suitable as an example. During the past 10 years it has enhanced collection in France but only up to the West-European average and certainly not higher than the Netherlands, and at considerable costs. The French system has made no progress on the improvement of the transparency and quality of recycling, one of the main objectives of Sympany. We assume that the Dutch model for packaging with a complicated Framework Agreement between industry and municipalities might be used as an example by national government or municipalities. However, post-consumer textiles are still a profitable resource where especially plastic packaging has a large recycling deficit and has caused considerable discussions on the compensation of the operating costs of municipalities. In this context paper or electronics might be a better example. We advise to avoid a focus on existing systems and therefore defined two theoretical models for textiles. The model with the limited scope focuses on optimal recycling and could benefit from the experience with similar models and the knowledge and experience of the sector. The model with a wide scope also integrates objectives and ambitions for circular textile production. This wide scope model is a real challenge. The experience with this type of model and objectives is limited and the knowledge and experience of the sector is not sufficient. However, circularity of textiles gets attention in the garment industry and could contribute to the ambition of the national government in contributing to global objectives (climate, resources, social).

### **Scenarios to prepare for future action to protect interests**

From the present business model of Sympany we started preparing for future action by identifying their main interests, also more in general useable for members of the textile recycling association (VHT):

- Beneficial market conditions
  - good quality, high value, of collected used textiles
  - low waste content and low treatment costs due to residues
  - no costs for collection permits
  - no competition by industry or municipalities in the collection of textiles
- Support for the operation, vision and ambition of Sympany (VHT)
  - traceability (monitoring of used textiles)
  - ethical and sustainable standards in recycling
  - child labour free operation in the post-consumer textile chain
  - free market and global operation
- Cost compensation in case of a deficit, caused by
  - collection targets for used textiles (voluntary or legal)
  - rising collection and recycling cost (service to municipalities)
  - essential legal requirements for the operation
  - failing market conditions.

We defined 4 scenarios and analysed the opportunities and threats:

1. Industry takes the lead to prepare a proposal for voluntary EPR, and informs for support of VHT;
2. Industry hesitates, does not reply to the request of government, and government takes the lead for preparing a legal based system:
  - a. to imply targets for collection and recycling of used textiles,
  - b. to develop targets for the circularity of textiles (wide scope), including the targets for the collection and recycling of used textiles;
3. Standstill, industry and municipalities do not agree on their roles and obligations and government is not willing or able to make progress towards a system or fee;
4. VHT prepares a proposal for a compensation (by a tax or disposal fee) based on their knowledge of the operations.

The threats lie especially in scenario 2b and 3. These scenarios may focus on discussions between other stakeholders and neglect the interests of Sympany and VHT and also not profit from their knowledge and experience. This could cause the design of a complicated legal system (sc. 2b) with a wide scope of objectives and topics. Industry might be overwhelmed, progress limited and the attention for the financing of the present interests of Sympany might vanish. The same effect might be the result of scenario 3 and more in general all scenarios that turn into a standstill.

The opportunities for Sympany and VHT are in scenario 1, perhaps 2a and certainly 4. Scenario 1 could lead to drafting a plan together with industry and incorporate the interests of the sector. The plan could profit from the knowledge and experience of the operators, probably the weakest point of industry at the moment. If scenario 1 does not enrol and scenario 2 and 3 are to be expected, a proactive textile recycling sector could draft their own plan. A professional plan based on the knowledge and experience of the sector will certainly improve the position in future developments and protect interests. Whatever scenario enrolls, action of Sympany (VHT) is urgent because it determines the operations in the next 20 years.

#### **Workshop illustrates that an agreement on EPR for textiles is within reach**

On January 15, 2020 a workshop was organised by Sympany. RVO, the ministry of I&W, Rijkswaterstaat, Arisa, the textile recycling association and the textile industry (Modint and VGT) attended the meeting. InRetail, NVRD and VNG were invited, but not present at the workshop. On the agenda was the urgency of the introduction of EPR for the textile value chain. The participants were invited as stakeholders in this discussion and the draft report of this study (excluding chapter 4) was available as a preparation.

The Dutch textile industry is positive about a general collective agreement between all stakeholders. Their starting point is their recent sector plan. The integration of the social and sustainable (circular) component in further plans for EPR is very important to them. Integration of the law on child labour in any EPR scheme might be

questionable, from a legal point of view. The ministry is not sure if fees may be used for social elements. The Waste directive is not clear on this point.

The ministry states there will be an EPR for textiles in the Netherlands. The question is if it is voluntary or legal. But also for a legal basis it is good to understand the objectives of all stakeholders and to combine them to support the future operation.

Industry points at their sector plan and states that also the post-consumer textile collection and recycling branche (VHT) should draft their objectives, as well as the municipalities. Industry has learnt from the recent textile covenant that collective funds are needed to make real progress. However, textiles is a global market and Netherlands is in many cases (too) small to innovate and force a transition. With respect to actions that can be taken industry demands to be realistic and to collectively survey what the possibilities are in practice.

All participants conclude that the Dutch textile recycling value chain has reached a point to come to an agreement. There are still questions to be solved, like how to conclude if there is a deficit in the recycling chain and how to handle the value part of the chain from this perspective (in scope or out of scope). But, there will always be some differences in approach and perspective and, like other products with EPR, the textile market is competitive and has small margins. Through dialogue, as during the workshop, knowledge has to be exchanged to strengthen support for next steps.



## 1 Introduction

FFact is contracted by Sympany to assist in the research of addressing child labour in the textile recycling industry as part of the project Fund against Child Labour (FBK), co-funded by the Netherlands Enterprise Agency. Sympany is a social entrepreneur that collects second hand (used) textiles from citizens in The Netherlands. The collected textile is for 80% sorted outside the Netherlands, for instance in eastern Europe. The sorted used textile is for a small part not re-wearable and can only be recycled for material recovery. Sympany wants to create traceability in its retail and recycling chain, and be able to clarify that no child labour is part of this chain.

The FBK project is divided in several results. The results are defined in the project terms of reference (Tor). FFact assists for Tor results 2.1, 2.2 and 2.5. This report concerns Tor 2.5, the final phase of the project and refers to earlier reports [1].<sup>1</sup>

For result 2.5 we investigated the feasibility of implementing a disposal fee on textile. We analysed the conditions that are needed to implement extended producer responsibility (EPR) for textiles in the Netherlands. The disposal fee, or better recycling fee, is the price component that consumers pay per piece of clothing or household textile to finance a sustainable recycling without child labour and with decent labour conditions in line with the OECD guidelines.

### **Focus on existing and upcoming EPR for textiles in Europe**

An important part of this report is directed to the background and detailed functioning of a textile disposal fee construction in France, up to now the only example. Moreover, we made an inventory of the status of the introduction of EPR for textiles in The Netherlands. The Dutch government is more explicit on EPR for textile and has requested industry to prepare a proposal. Also in other European countries discussions on EPR started and we made an inventory for these as well.

At the start of the study a Go/NoGo was defined. If Sympany does not succeed in clarifying its post-consumer textile trade chain or if the Dutch government is not willing to cooperate in implementing a textile disposal fee or a plan of action, Tor result 2.5 is cancelled. Sympany has decided for a Go. The report on Tor result 2.2 gives a clear description of the post-consumer trade chain up to the sorting and recycling in Panipat (India) of the non-wearable used textiles. Moreover, the Dutch Minister of State for infrastructure and water management has sent a letter to parliament on 29 June 2018 that announces the extension of EPR towards textile, in alignment with the vision expressed in the transition agenda for consumption goods.

Result 2.5 is especially meaningful since result 2.2 clarifies the post-consumer textile trade chain of Sympany, however the costs to obtain a permanent transparency and

<sup>1</sup> Report on result TOR 2.1.: The chain of used textiles from the source towards recycling, FFact August 31 2018; and TOR 2.2.: the supply chain of used textiles towards Panipat and the markets for the products.

quality are not yet assessed. At this moment the report on the research towards pre-consumer textile and the products of the recycling industry in Panipat (Tor results 2.3 and 2.4) are not finalised.

### Objectives of the research

The objective of the research is to:

- Analyse schemes and examples of a disposal fee for textile
- Describe scenario's for using a disposal fee for recycling in the Netherlands
- Discuss the findings and scenario's in a stakeholder workshop.

### Approach

FFact has conducted the project with support of the Brussels office of FFact. This office is focussed on European developments, has good contacts in France and consultants are fluent in French. They analysed the French EPR system.

The activities of Tor result 2.5 were split into three parts.

#### Part 1: analysis of schemes and examples of a disposal fee

- Analysis of the disposal fee scheme for textiles of France, the status of EPR in the Netherlands and the vision on EPR of other countries (UK, Belgium, Germany, Nordic countries),
- Analysis of developments of European legislation on disposal fee,
- Visits and interviews with organisations of interest, with experience on application of textile disposal schemes, i.e. Eco TLC, the French ministry and ADEME, the French agency for governmental support,
- Research the application of other options for a disposal fee: experience with the GRS standard, the OECD guidance and the experience on due diligence including the Goodweave examples (see Tor result 2.2).

#### Part 2: scenario's for using a disposal fee in the Netherlands

- Interview the Dutch ministry on their vision on EPR to gather information, review models and discuss scenario's for a disposal fee in the Netherlands,
- Assess the Dutch situation of used textiles for the feasibility of the scenario's,
- Describe relevant scenario's.

#### Part 3: stakeholder workshop

- Present the findings of the study to a group of stakeholders to discuss feasibility, define pro's and con's and give guidance to further design,
- Report on the findings with conclusions and recommendations both for Sympany individually as for the Dutch textile sector and government.

The workshop was held on January 15, 2020 and the results are incorporated in this report.

## 2 Inventory of a disposal fee and EPR on textile

France is the first European country that started EPR on textile in 2008. A disposal fee on new textile is used to finance the sorting of used textiles. We have analysed the existing system and the way of operation by Eco TLC through documents and interview and also interviewed the French ministry and ADEME, advisor (agency) to the ministry. Besides France also the Netherlands and other countries in Europe developed ideas on EPR. We also investigated them within the frame of European legislation and the most recent developments.

### 2.1 European legislation concerning EPR on textiles

Extended producer responsibility (EPR) is originally introduced in Sweden in 1990 as a policy to incorporate the costs of the end of life stage of a product in its market price, the full cost price principle. The concept rapidly gained momentum since producers have the best ability to reduce the toxicity and environmental impact of a product and improve the recyclability. The Netherlands was one of the first countries that introduced mandatory EPR for vehicles. The Dutch Car Recycling system was founded in 1995. In 2000 the Directive on End-of-Life Vehicle (2000/53/EC) was the first European legislation that enforced EPR for Member States. Several other products followed (e.g. electronics, batteries, packaging), and several other countries (e.g. USA, Canada). An EPR system can also be voluntary (e.g. the Dutch float glass system) or negotiated.

The thinking on producer responsibility was enhanced by the waste package<sup>2</sup> that was adopted on May 22, 2018 by the European Commission [2]. The package consists amongst other of a revision of the Waste Directive (2008/98/EC) and includes several amendments to achieve more sustainable material management. Concerning textiles the package states that Member States will:

- *take measures to ensure that municipal waste is prepared for reuse or recycling and that by 2035 a minimum level of **65% is reached** (55% by 2025, 60% by 2030); textile is **one of the fractions** that can contribute to reaching this target.*
- *set up, by 1 January 2025, separate collections of **textiles** and hazardous waste **from households**.*
- *encourage the re-use of products and setting up of systems **promoting** repair and **re-use activities**, including in particular for electrical and electronic equipment, **textiles** and furniture, ..*
- *by 31 December 2024 prepare **re-use and recycling targets** for..., **textile waste**,... and submit a report accompanied, if appropriate, with a legislative proposal.*
- *... **end of waste criteria** should be considered at least for aggregates, paper, tyres and textiles.*

<sup>2</sup> Directive of the European Parliament and of the Council, amending directive 2008/98/EC, PE-CONS 11/18, Brussels 27 April 2018.

Moreover, the package amends the legislation for producer responsibility (see **Annex A**), introducing 'General minimum requirements for extended producer responsibility schemes' in article 8a. The combination of an obliged separate collection of textiles and the minimum requirements for EPR may further accelerate the introduction of EPR for textiles. We have investigated the developments for several Member States.

Consumer responsibility is not known as a legal based system or concept. However, awareness of the role of the consumer is growing. Consumers decide at the purchase of a product and should inform themselves of the environmental and social impact. Producers reply to this trend by labelling. It might even be mandatory to specify the impacts of a product, e.g. eco labelling of electronics, vehicles or car tyres. For textiles the branding of recycled content is becoming a trend, also called green marketing, sustainable branding.

## 2.2 French system of EPR with Eco TLC as operating organisation

The extended producer responsibility (EPR) for textile in France is documented by legislation and documents of Eco TLC (see **Annex B**) that characterise the present system. In this paragraph we present the recent information from the interviews with the main stakeholders: Ademe, the French government and Eco TLC.

### 2.2.1 Background and outline of the system

The idea to set up EPR for textile emerged in 2005/2006. The collection and sorting of used textile was having economic problems because the revenues of sales of sorted clothing did not cover the costs anymore. Moreover, the collection rate was relatively low and therefore an environmental gain could be obtained from improved collection. It would stimulate reuse and recycling of textile instead of sending it to incineration and landfilling. The other particularity of the system in place was that an important part of the work was done by charity organizations employing people with problems integrating in the economy. This social economy aspect was an important element in the decision to establish the EPR system.

The EPR system requires all producers and importers of clothing, household linen and shoes (abbreviated TLC in French) to:

- contribute to prevention of the generation of waste;
- via information campaigns promote the separate collection of used textiles;
- contribute financially to the sorting of collected materials;
- contribute to studies that would improve and reduce costs of the management of used textile.

Companies can opt complying individually; in which case they must present a plan how to fulfill their obligation to the ministry. They can also opt adhering to an organization that would fulfill these obligations for their membership collectively. This organization needs to be approved by the ministry and present a plan that meets the requirements set out in the term of reference published by the ministry.

The TOR for the current approval covering the period 2014 - 2019 was included in the ministerial decree of 3 April 2014.

The TOR contains several specific objectives related to social and environmental issues including:

- a requirement to separately collect 300.000 ton, which represents 4,6 kg per inhabitant and 50% of the textile put on the market in 2014;
- a system of traceability of the materials that leave the sorting facilities should be put in place;
- make sure that one voluntary collection point is available for each 2000 inhabitants and strive to one point for each 500 inhabitants;
- a requirement to employ at least 15% of people with problems entering into the normal economy when increasing the sorting capacity;
- a reduced contribution to the system for members who:
  - market clothing that has increased durability and therefore contribute to prevention,
  - develop clothing that is easier to recycle,
  - use recycled fibers in their products.

### Conclusion

The results until now are mixed. Since the introduction of the EPR system the number of collection points and the amounts collected have increased in France. The latest data from 2017 indicate that approximately 230.000 ton was collected, which is a considerable increase from the 150.000 ton collected in 2014. However, the objective of 50% collection in 2019 will not be met. The system of variable contribution to promote durability and use of recycled materials has started but impact is low. The system for improved recyclability is still not operational. The companies involved indicate that the incentive is not enough to make a difference.

The system of traceability ends at the point where the sorting facility sells its material to a recycling firm. The system does not require any other information than the weight of material sold. The current system, where Eco TLC is only required to financially support the sorting, is not suitable to require specific conditions related to the operations of the recyclers, in particular not outside of France or the EU.

#### 2.2.2 Contributions of producers and premiums for sorting

The producers pay a contribution for each piece of textile put on the market. The contribution varies from 0,156 ct for very small items of clothing to 7,128 ct for large items of house linen (contributions to Eco TLC in 2019, see Annex B).

The costs of sorting are determined by an institute set up by Eco TLC that collects information from the different sorting centers and determines the average costs of sorting in France. The determination of these costs is based on a methodology that uses activity-based costing as a way to determine the costs. The results of the cost

calculations show an increase of the sorting costs from € 64 per ton in 2012 to € 101 per ton in 2015.

The decision on the level of the sorting contribution is taken by the Ministry and included in a Ministerial Decree. At the start of the second period of operation of Eco TLC the Ministry had decided that Eco TLC should increase its premium to the sorting facilities by € 65 per ton, but they decided to increase it only to € 88,20 per ton per 1<sup>st</sup> of January 2018.

The reason the French Eco TLC did not agree to the proposed increase is because they consider that the increase in costs is not related to a real economic trend but rather a perverted impact of the premiums they are obliged to pay. They claim amongst others that the obligation to employ people in line with the objectives of promoting the social economy are too high because the government decided to reduce its contribution to these initiatives. They also claim that the negotiating position of the French companies is weaker because their clients know that they will get a financial support and therefore pay less for French textile. Eco TLC therefore refused to accept the increase in the Decree and started a legal procedure against the French government claiming that the increase constitutes a form of state aid, which would be illegal under EU competition law. In July 2019 the Court of State ruled that the question regarding state aid should be referred to the European Court of Justice in Luxemburg. It will take a number of years before the Court will conclude and in the meantime the situation in France seems to be blocked.

### **Conclusion**

The core obligation for the producers is the obligation to financially support sorting. The producers do not have the obligation to set up operations of collection and are also not bound to meet a specific reuse or recycling target, only a collection target is set. Their impact on the system is therefore rather indirect. This may explain that the increase of the collection is at a slower pace than would be possible if the industry would also have operational responsibility.

The financial EPR system has brought collection up to 40% of produced used textiles from a very low collection percentage of 25% at the start in 2008. However, the reasons that made the French government decide that only financial EPR was needed leads to a present stand still in collection and especially in the transparency and quality of re-use and recycling. The present system is not prepared to introduce a more circular economy and doesn't effectively stimulate producers and operators to respect the environment and ethical business practices.

### **2.2.3 Recent developments**

Since the legal dispute between Eco TLC and the government is not solved the situation at the moment is blocked. The current authorization of Eco TLC ends by the end of this year. The ministry wants to opt for the prolongation of the current authorization for a limited period (e.g. 2 year). This would allow the different stakeholders to discuss the future system.

All parties agree that collection of textiles will increase considerably in the coming period. In France the system has not yet reached its target and in the other EU countries the collection will increase due to the measures agreed under the EU package for the circular economy. This will most likely mean that the overall quality of the textile will decrease, as materials with lower value will be collected. It will also put pressure on the outlets for re-use. It is unlikely that the market of reusable clothing will increase considerably. This market may be under pressure, in particular if the market share of post-consumer textile in African countries reduces. It is therefore necessary to further develop recycling to ensure that the increase volumes of textile will find a useful destination. It will require development of new technologies, increase attention for design for recycling but also development of new recycling markets. The stakeholders in France are convinced that it will be necessary to develop such markets outside of the textile sector, e.g. in the transport sector (e.g. filler materials) and the construction sector (e.g. isolation materials).

The authorities would like to re-enforce the mechanisms to promote circularity of the system, in particular the measures related to prevention, design for recycling and (re-)use of recycled materials. ADEME would also like to introduce an ecolabel for textile informing the consumers about the environmental impact of the clothing.

Eco TLC would like the current system to be replaced by a full EPR system where they would have the possibility to conclude contracts with local authorities, collectors and sorting facilities. This would allow them to better steer on the objectives and control costs. At the moment the relations between the stakeholders are under pressure and it is unclear in which direction the system will develop in the coming years.

### 2.3 Dutch vision on EPR and present situation

#### **Mass balance of 2012 as a starting point**

For the Dutch situation we spoke with Emile Bruls of Rijkswaterstaat, the agency that is dedicated for the implementation of policy plans for environment, including textile wastes. He refers to the study FFact conducted for the Ministry [3].<sup>3</sup> At that time (2014) the ministry was especially interested in the potential effect of the green deal of 12.10.2012 on enhancing the recycling of textiles and reduce the textile content of municipal waste by 50% in 2015 compared to 2011. Our study resulted in a dedicated mass balance of used textiles for 2012. It indicates that 235.000 ton of used textile is generated of which 90.000 ton is separately collected and sorted for re-use or recycling. Of this weight, 65.000 ton was reported by the Central Bureau of Statistics (CBS) as collected licensed by municipalities. The other 25.000 ton is collected directly by for example second hand and re-use shops. Besides this part, Dutch textile sorting and recycling companies import 109.000 ton used textiles for sorting and recycling. We further specified the quality of 61.900 ton used textiles that were collected and sorted in the Netherlands in 2012, i.e.:

<sup>3</sup> Mass balance of the used textiles in the Netherlands for 2012, FFact under contract of Ministry of Infrastructure and Environment, 14.11.2014 (in Dutch).

- 56% re-use
- 37% recycling
- 7% residual waste.

It was concluded that the sorting of post-consumer textiles is professional and gives a limited amount of residual waste. The chain of the recycling of textiles could not only be verified for the first step. Nevertheless the mass balance illustrated that the green deal to enhance separate collection only imposed a limited risk that the environmental pressure of the additional collected used textiles would be exported, e.g. because material ends up at a foreign landfill. The collection sector expressed their concerns over the impact on the quality of the collected textiles.

### **Rising collection and lower quality**

After the mass balance study and together with the association of textile recyclers (VHT), of which Sympany is a member, the government followed the market developments. Total textile consumption probably rose and also separate collection of used textiles by municipalities rose. CBS recently reported a collected weight of 81.000 ton for 2017, an increase of 21% compared to 2012. Moreover, VHT concludes from a recent study with TUV Rheinland that the pollution of the textiles rises from approx. 8% in 2013 to 12,5-15% in 2018. Besides they report that the quality of the collected textiles is deteriorating due to more fast fashion input. VHT posted an alarming letter to the Secretary of State on 15 July 2019 addressing these issues [4].<sup>4</sup>

### **Government requests the Dutch textile production and retail industry to submit a proposal on EPR**

The Dutch government is concerned about the circular economy and in 2017 formed transition teams that have drafted five transition agenda's. The Secretary of State for Infrastructure and Water management has informed parliament on these agenda's at 30 June 2018. In a progress letter [5]<sup>5</sup> with several issues she states that the government intends to widen the scope of EPR to in first instance throwaway products, furniture and textiles. A quick scan report describes the possibilities for textiles [6].<sup>6</sup> The intention is to arrive at a voluntary EPR system. But if this is not achieved during 2019 a legal obligation is possible.

The quick scan report [6] refers to several other reports, documents and actions taken to clarify the potential of EPR. Especially other EPR systems in the Netherlands and Europe are scanned. It is our experience with EPR that it is possible to learn from other systems, point on the stakeholders and define points of attention as in the quick scan. However, most lessons depend on the conditions. And therefore especially the market drivers during the development of an EPR system have to be accurately described. For example it seems obvious to compare textiles with the EPR-

<sup>4</sup> Branche luidt noodklok; Textielrecycling leidt onder toename vervuiling en verlies aan kwaliteit. VHT19-11, 15 juli 2019.

<sup>5</sup> Brief aan Tweede Kamer over Grondstoffenvoorzieningszekerheid en Groene Groei; TK 2017-2018, 32852,2 9 juni 2018.

<sup>6</sup> Quick Scan mogelijke impact EPR voor textiel, KplusV, 5 juni 2018.



systems for packaging or E-waste in the Netherlands and other countries. The products are used by households and municipalities are stakeholders in the collection. Market drivers may differ. Plastics, the most challenging one-way packaging, have a large deficit for the collection and recycling, where post-consumer textiles have a profit share. Plastic collection is only organised if the deficit is compensated. Valuable resources like paper and metals tend to give more common market positions. From this perspective the Dutch EPR for paper (both packaging and graphic) with a guarantee price in times of failing demand is interesting and was also mentioned by Dutch textile collectors as a valuable model.

The actual status of the EPR for textiles is that the Dutch Ministry has requested textile production and retail industry, as represented by the sector organisations MODINT, VGT and INretail, to prepare and submit a proposal on EPR. These organisations were also interviewed during the quick scan [6] and gave their opinion on the potential of EPR (see chapter 3). The sector has drafted a sector plan in September 2019<sup>7</sup> [7] and is now working on the proposal and VHT is informed about the progress (see chapter 4).

In the meantime the government follows the developments in for example France to learn from a disposal fee driven EPR system. An important lesson according to Emile Bruls of RWS might be that the Dutch green deal only focused on collection, where an EPR system for the Netherlands should also or especially focus on the re-use and recycling of the post-consumer textiles. The Ministry also actively follows the developments on textiles in Sweden, the UK and Denmark. With organisations in the last two countries Rijkswaterstaat is partner of the European Clothing Action Plan (ECAP). ECAP is a LIFE funded project ending 2019 and aims at reducing clothing waste across Europe and embedding a circular economy approach into Europeans' provision, access to and consumption of clothing. One of the work packages under ECAP aims to reduce clothing waste to landfill and incineration by increasing collection, reuse and recycling of post-consumer clothing [8].<sup>8</sup>

## 2.4 Vision of other countries on EPR for textiles

Since post-consumer textiles are in general a valuable resource collection and recycling is practiced all over the world. From the perspective of EPR we tried to get an overview of the developments towards EPR for textiles in the surrounding European countries.

### 2.4.1 UK

The textile industry in the UK and the collection and recycling of used textiles were a topic of investigation in recent years and led to many publications. The dominant report is the massive research of the Environmental Audit Committee (EAC) of the

<sup>7</sup> INretail, MODINT, VGT, Sectorplan Nederlandse kleding- en textielsector, september 2019.

<sup>8</sup> Watson et al. ECAP used textile collection in European cities, Plan Miljo for RWS, 01-03-2018.

House of Commons called 'Fixing Fashion' [9]<sup>9</sup>, published 19.02.2019. The report has a broader scope than just used textiles. Nevertheless the report fired the discussion on an EPR system for textiles. Also WRAP, assisting the Ministry (DEFRA), gave input to this discussion, e.g. with their report on UK textiles EPR [10].<sup>10</sup>

### **EAC's key recommendations**

The research report of EAC [9] recommended:

- Mandatory environmental targets for fashion retailers with a turnover above £36 million.
- A new Extended Producer Responsibility (EPR) scheme to reduce textile waste with a one penny charge per garment on producers.
- The scheme should reward fashion companies that design products with lower environmental impacts and penalise those that do not.
- The report calls on the government to use the tax system to shift the balance of incentives in favour of reuse, repair and recycling to support responsible fashion companies.
- The government should follow Sweden's lead and reduce VAT on repair services.
- Lessons on designing, creating, mending and repairing clothes should be in the school curriculum.

### **Textile Recycling Association agrees textile should be considered urgently**

Alan Wheeler, director of the Textile Recycling Association, said [11]: "We all need to take responsibility for our role in improving the sustainability of the fashion industry. But with existing markets for used clothing and recycled textiles under pressure we need to develop new markets for used textiles. We welcomed the fact that DEFRA have already identified textiles as one of the key material streams for which an Extended Producer Responsibility scheme should be evaluated, but this report from the Environmental Audit Committee highlights why textiles should be considered urgently and we welcome the recommendation that this evaluation should be completed by 2022."<sup>11</sup>

### **UK government rejects a tax on clothing**

On 18 June 2019 British government ministers have rejected the calls for a tax on clothing sales to tackle the environmental damage that is caused. The recommendation of EAC to put a one pence (€ 0,011) charge on every item of clothing sold to raise investment for textile recycling was not accepted. A government spokesperson said [11]: "It simply isn't true to say we are not accepting the committee's recommendations.... Considering the global nature of the sector and its supply chains, the industry has the primary role to play in achieving change, helped by consumer behaviour and underpinned by support, where appropriate, from government."<sup>12</sup>

<sup>9</sup> Fixing Fashion, clothing conditions and sustainability, Environmental Audit Committee of the House of Commons, HC1952, 19.02.2019.

<sup>10</sup> UK textiles EPR, WRAP, PRR-104, 6.11.2018.

<sup>11</sup> Let's recycle, article of Joshua Dogerty on the EAC report, 19.02.2019.

<sup>12</sup> Jonathan Powell for China Daily, 19.06.2019.

Andrew Opie, director of food and sustainability at The British Retail Consortium, the trade body for the retail sector, said [12] that retailers recognize that "more needs to be done. Our members are increasing the use of sustainable materials, designing garments that are made to last, and encouraging customers to return unwanted clothes for reuse, so they can turn old T-shirts into new ones. The industry will work with the government as part of the resources and waste strategy to reduce waste and will continue to find ways to make fashion more sustainable."

#### **Policy of the ministry (DEFRA)**

From our contact with the ministry we understand that they refer to the Resources & Waste Strategy [13].<sup>13</sup> This includes a commitment to consult on measures such as Extended Producer Responsibility and product standards for five new waste streams by 2025, two of which they plan to complete by 2022. The Strategy identifies textiles as one of the five waste streams, which would include at least all clothing, as well as other household and commercial textiles such as bed linens. At the moment there is no further information on the process for drafting the proposed plan.

#### **Facts on used textile collection and recycling**

The EAC report describes an annual textile consumption of 26,7 kg/cap, which is far above all other EU-countries. The Textile Recycling Association (TRA) reports a collection of 650.000 ton, of which 50% by 11.000 charity shops. They estimate that 380.000 ton textiles is collected in the residual waste. This does not account for the estimated 1.400.000 ton discarded textiles in 2012. We are not sure about the definitions of textiles. Perhaps carpets and mattresses might be included in the UK data. As a quote in the EAC report TRA says: "The TRA recognise that EPR on clothing is not the silver bullet that will make the fashion industry circular in the UK. However it may have a significant role. It is only right that the fashion industry, which generates billions of Pounds in revenue every year, by putting clothing onto the market, should take some responsibility for improving the sustainability of the products and improving re-use and recycling rates."

#### **WRAP's comparison of the UK to France**

WRAP recently analysed the Eco TLC system of France to advise government (Defra) on the potential of EPR. WRAP concludes that the textiles EPR system in France has been associated with a rise in used textiles diverted from landfill, with the collection rate for reuse and recycling doubling from 18% to 36% between 2009 and 2017. It has also contributed to increase social and economic opportunities through job creation. In that sense, it provides a useful model for consideration. The context in the UK is different, with potentially different social objectives and an already (probably) higher collection rate. Nevertheless, the markets for reuse remain subject to sometimes unfavourable global market conditions and the markets for recycling can be low value, both of which pose risk to the longer-term prospects for landfill diversion in the UK. Furthermore, EPR systems provide opportunities for incentivising specific design aspects such as durability – although it is too early to draw positive conclusions from the French experience on this.

<sup>13</sup> Our waste, our resources: a strategy for England, HM Government (Defra), Pb 14552, December 2018.

If this policy area is of interest to Defra, more work would be warranted. This might include working closely with the sector to better understand the benefits of textiles EPR for the UK, the policy design implications around fee modulation, the PRO's mandates, policy objectives, etc. This might also include some technical work to strengthen current estimates of textiles consumption and collection in the UK to better inform Defra's understanding of the current situation.

As we understand from all the work done in the UK, there is a lack of reliable and accurate data and definitions. A fast calculation made ends up in an one penny a piece tax, which could result in an income of approx. € 38 mln., but there is no clear vision on how to spend the budget created. WRAP correctly stipulates that EPR systems firstly organise their activities to meet with obligations and targets and then determine the fee per product put on the market.

#### 2.4.2 Nordic countries

The Nordic Council of Ministers published a report on used textiles [14].<sup>14</sup> The main findings of this report are that they export mainly to EU countries. Nordic textile has a large share in Estonia, Somalia, Poland, Lithuania and Bulgaria. The collection rate is between 20 and 45% of produced used textiles in the Nordic countries. EAC [9] reports 16 kg/cap produced textile for Denmark and 12,6 kg/cap for Sweden.

Pre-sorting takes place on 25% of the collected stream. This results in 10% of the best qualities to remain in the countries for domestic re-use. The better qualities go to eastern Europe and Russia. Tropical mix and lower qualities to Africa, Middle East and Central Asia. The market is dynamic. There is a large supply and prices are under pressure.

The lower prices lead to a better utilization of the stream. It is no longer possible to sort out the cream only and dispose of the remainder. All fractions need to be sold, for re-use or if not possible for recycling, to compensate the sorting costs. Some collectors require buyers to adopt codes of conduct on working conditions. Some require reports on final fate of the material that was collected.

The report looked specifically into the potential of codes of conduct (CoCs). Its findings are that the same tight economic margins that ensure that all fractions of used textiles are put to good use, can also drive owners of sorting facilities to pay low wages and cut on health and safety.

Increased traceability and codes of conduct imposed by Nordic collectors on their buyers downstream, could be a potential solution. In order for CoCs to have an effect, implementation must be regularly monitored and enforced. Where such CoCs are in place, working conditions and health and safety standards are being upheld. CoCs have more limited potential to influence working conditions in the informal sector, however. Although economics currently ensure that reuse and recycling are

<sup>14</sup> Exports of Nordic used textiles, fate, benefits and impacts. Nordic Council of Ministers, TemaNord 2016:558, 2016.

prioritized, CoCs may also become important tools in ensuring that the waste hierarchy is adhered to, should economic conditions change.

The report finishes with a number of recommendations for Nordic collectors/exporters of used textiles:

- Adapt or adopt a Code of Conduct for own operations and for downstream operators with emphasis on:
  - Working conditions, wages and health and safety.
  - Goals for reuse and recycling shares and treatment options for remaining waste.
  - Effective and regular monitoring, reporting and follow-up.
- Assist, as far as possible, your existing buyers to meet your requirements rather than switching buyers as soon as there is non-compliance.
- Where possible prioritize buyers with their own retail shops rather than wholesalers to improve or simplify traceability.
- Where possible nurture long-term relationships with buyers to ensure that exports are matched to needs and waste is avoided.
- Remove obvious textile and non-textile waste from original prior to export.
- Prioritize EU countries for sorting of exported textiles.
- Investigate opportunities to support better collection and treatment of postconsumer textiles in developing countries.
- Engage in projects with the aim of increasing reuse and recycling within Nordic markets.

It also has a number of recommendations for Nordic policy-makers:

- Develop guidelines for collectors and exporters on interpretation of national, European and international regulations on the transport of used textiles.
- Assist in the further development of, and encourage the adoption by collectors of the Nordic Council of Ministers pilot Code of Conduct.
- Assist developing countries in improving systems for collection and treatment of household waste.
- Establish strategies, seeding projects, innovation funding pools etc. to encouraging stronger markets for reuse and recycling of textiles in Nordic markets, though without compromising the waste hierarchy.
- Continue and increase support for increased collection of used textiles both for the Nordic and export markets.

We contacted the Norwegian Environmental Protection Agency to see what was done since the report was issued. After the study by the Nordic country Norway has not made big steps on traceability. It has proven to be hard to implement these recommendations. The main focus at the moment is that Norway needs to do better on textile collection. A large proportion of the waste textile is not collected separately and this needs to improve. This is a requirement from the EU waste framework directive (which Norway implements also even though they are not in the EU). Promoting re-use and recycling is also important in the context of the policy on

circular economy [15].<sup>15</sup> And finally Norway looks into textile because there is some plastic in textile and there may be a link with the policy on plastic waste. **Annex C** provides some more Norwegian backgrounds and ideas on EPR.

Norway will start later in 2019 a study to better look into what is currently happening inside Norway. For the export part of the work they will rely on the study that was done by the Nordic council. There has been some thinking at the possible role of certification. From the perspective of Norway it would be best if this were an international initiative, also because this will make it easier for the companies that would need to comply if they are not confronted with different schemes and different auditors. It may be interesting to contact the Nordic Swan or to contact the people involved with the EU ecolabel in this context.

For the situation in Scandinavia and Germany, Sympany contacted a representative of Humana Germany (Berlin). She reports that there are no concrete initiatives for a disposal fee, a tax or any other producer responsibility system. However, in Norway the 2 major collectors, Fretex and UFF Norway, jointly expressed a need for some kind of EPR system during the recent Waste Fair in Oslo in June 2019. In Denmark, UFF-Humana and the commercial collector Trasborg have expressed the same during a seminar held end of June in Copenhagen by DAKOFA (Danish Competence Center for Resources and Waste).

This overview shows that considerable thought has been given to the potential of certification in the Nordic countries, but that there has been little progress in getting this operational. The collection companies are of the opinion that EPR may be a solution for the current deadlock, but the Norwegian government is reluctant in going into this direction. They would rather try to promote an internationally backed certification initiative.

### 2.4.3 Germany and Belgium

Although Belgium does not have EPR for textiles, there is a market for used textiles that induces high collection and recycling rates. According to the federation of textile recyclers, Coberec (2015), 70% of all arising used textiles in Belgium are selectively collected. In 2015 the collected and sorted weight was 120.000 ton (500 mln. pieces), including a small part import. This is a huge weight compared to Netherlands (50% more inhabitants). From this weight of selectively collected clothes 55% is re-used as clothes and 37% is recycled, 20% as cleaning cloths and 17% for fibres. The waste percentage of 8% is lower than in the Netherlands in the actual situation.

#### **Flanders has high separate collection**

The Flanders ministry (OVAM) reports the separate collection at municipalities in Flanders in 2016 at 52.557 ton or 8,1 kg/capita. According to them still approximately

<sup>15</sup> Circular textiles, ready to market, ECAP, 15 February 2019.

Stimulating textile-to-textile recycling, Nordic Council of Ministers, 2017, TemaNord 2017:569.

Textile-to-textile recycling, the Nordic brands that are leading the way, Nordic Council of Ministers, 2017, ANP 2017:753.

7-8 kg/capita is in the residual waste. Also approx. 11.000 ton textiles is collected by registered recycling centres. This would result in a collection of 63.500 ton on a total of approximately 113.000 ton or 55%. This is lower than the 70% estimated by Coberec for Belgium.

Belgium and especially Flanders has one of the most effective separate collection systems for municipalities. This has impact on the collected weight. Moreover, the Ministry (OVAM) stimulates the collection of all clothes, also worn. The total estimated used textile production of 170.000 ton leads to 14-15 kg per inhabitant, a number similar to the Netherlands. The reported waste percentage in collected used textile is lower than at present in the Netherlands. The used textile sector counts 50 enterprises with 1000 workers, and provides work for people with a distance to regular jobs. Recutex is a large collection company with a long history.

For the situation in Germany, Sympany contacted Humana Germany (Berlin). She reports that there are to her information no initiatives for a disposal fee, a tax or any other producer responsibility system in Germany (for Scandinavia, see par. 2.4.2).

Humana Germany observes significant differences in the collection market from one country to another. Roughly the further north (Scandinavian countries), the lesser is the importance of charity collection and the bigger the importance of environmental performance. This is from the perspective of the motivation of the donors and not from the view of market rules. Furthermore, from the perspective of environmental performance there is not necessarily any contradiction between charitable and private collection. They stipulate that the discussion on EPR and targets should not focus on charity versus private collection, the discussion should rather explore sensible professional standards for both environmental performance and social (charitable) benefit.

Humana Germany is not participating in or aware of studies on transparency or enhancing recycling quality. Concerning traceability they refer to Humana Germany, UFF Norway, Humana Sweden, and UFF-Humana in Denmark, each of whom have contracted Mepex Konsult AS to trace and document their clothes flow from the point of collection to its final destinations. This is done on an annual basis for each organization. With respect to recycling quality she refers to the ECAP-report [15].

### 3 Scenario's for the use of a disposal fee

Tor result 2.1-2.2 illustrated that it is possible to obtain transparency of the recycling chain of Sympany. Also the quality of recycling in terms of ethical standards and quality of products can be monitored and if necessary improved. We estimate that a guaranteed transparency and monitoring of the recycling route, process and product will cause a considerable additional cost compared to the present market model. A disposal fee is indicated as an instrument to finance this costs and assure that measures are implemented to prevent child labour and demonstrate a child labour free value chain. In this chapter scenario's for the use of a disposal fee for this purpose are investigated.

A disposal fee is often linked to an EPR system. The survey of chapter 2 illustrates that several models for EPR exist and that each model is based on situational conditions and objectives. The Dutch situation is still work in progress, in 2019 the government has requested the textile industry to submit a proposal for a voluntary EPR. From the survey we consider EPR as a serious option for a disposal fee on textile.

In this chapter we further evaluate the situation, the stakeholders, their obligations, ambitions and targets. Besides we present as a necessary background four different models for a disposal fee (with or without EPR). With this brief characterisation and using the obtained information from reports and interviews we defined four scenarios for the possible introduction of a disposal fee. We conclude that the introduction of a disposal fee in the next 5 years is feasible, but depends on several factors. Sympany and other operators in used textile collection and recycling will be involved in this process. They can use the scenarios to prepare for discussions and a protection of interests and objectives. The scenarios are to be used as an instrument to explore options and certainly not as proposal or advise.

#### 3.1 Stakeholders, obligations, ambitions and targets

For the Dutch situation we identify four main stakeholders. We have briefly characterised their role, interest and obligations.

1. The **Dutch central government**, as a representative of Dutch society, has the obligation to set conditions for separate collection, promote it and set targets for re-use before 2025. Besides, they have a clear ambition to improve circularity for textiles. From this perspective the instrument EPR for textiles is put on the agenda. For the moment industry is requested to draft a proposal for EPR on a voluntary basis. The government is assisted by RWS, that has gathered information and explored the options. Last but not least they have direct influence on EU laws and regulations to be developed on EU level.
2. **The textile industry** (producers and importers), as represented by their sector organisations MODINT, VGT and INretail, will be responsible in case of EPR. They are still exploring the issues and have not come up with the proposal that



government has requested for. Up to now there is no obligation to implement an EPR system or a request for a disposal fee, and there are no targets for collection, re-use or recycling.

3. **Collection and recycling companies** of used textiles, as represented by the their sector organisation VHT, are the relevant operators of the collection of used textiles. Both profit and not for profit (charity based) organisations are member of VHT, each of them with approximately 50% market share in terms of collected weight. Used textile collection is still a profitable economic activity since the income for the reuse and recycling of the collected textiles is overall larger than the costs for collection and for the treatment of wastes. However, the sector is facing developments that lead to higher costs and deficits in parts of the chain:
  - a lower quality of collected textiles, partly due to a shift of production to fast fashion, resulting in a lower income (market price) for the reuse and recycling of used textiles,
  - a rising share of residues, partly due to the targets for the reduction of residual municipal waste, causing increasing costs for treatment,
  - higher costs for collection due to licensing or tendering by municipalities
  - ambitions to make textile more circular, improve ethical working standards throughout the production and recycling chain and pressure to monitor all parts of the chain.
4. **Municipalities** are by law responsible for the collection of household waste and meet national targets to decrease the residual waste to 100 kg per capita in 2020 (differentiated by the size of the city). Therefore they invest in improving separate collection and recycling, also of textile. They provide licenses (and contracts with earnings), for the collection of used textiles through curb side collection or placement of permanent containers. Besides the licensing, a municipality might be the owner of a company for waste collection or for sorting used textiles. Municipalities also responsible to create social employment and reducing costs of social compensation. Sorting and re-use of post-consumer textile, e.g. in thrift stores, is often one of the activities they are involved in.

#### **Perspective of industry in a recent comment**

We used a recent comment of Jeroen van Dijken, secretary of VGT and advisor of INretail, posted on LinkedIn on April 5, 2019 (in Dutch) to illustrate the interest of the stakeholders.

“More and more Dutch municipalities are seeing the collection of old clothing as a source of income. They earn money by permits for collection. It is the only waste stream that generates money for municipalities. An estimated € 8 million (!) on an annual basis, approx. € 1 per household. This money is not invested in the necessary innovation to make the clothing chain circular. This surprised INretail, VGT and Modint. That is why we called on the members of parliament. With the amount of € 8 million, significant steps can be taken to make the chain circular and, among other things, significantly reduce CO<sub>2</sub> emissions. Our ambition is that the Netherlands is the frontrunner on circular textiles in 2025. We want the money that municipalities earn to be deposited in a national fund for the sustainability of the textile and clothing

chain. This gives us and the other parties within the sector support on the way to our ambition. #retail #circulareconomy #textile.”

Industry speaks of an ambition for circular textiles, but not of a responsibility. Municipalities should invest. Initiatives of industry are not presented and the request of the government to draft a proposal for EPR is not mentioned. As an instrument industry mentions a national fund for sustainability of the textile chain.

The comment addresses the awareness of municipalities of the economic value of used textiles. A topic also addressed by Sympany and other members of VHT. Municipalities are facing costs for the introduction of the separate collection of household waste and profit from the situation. Collection companies have to stay permitted and are not compensated by the national government nor by industry. The pressure on the economic situation for VHT members is not mentioned by industry.

Also not addressed in the comment of van Dijken is that municipalities push households, sometimes by pay systems (Diftar), to separate their waste. The (unwanted) effect is that some households use textile containers for other wastes. More weight is collected, but the waste content rises and the quality of the used textiles decreases. Remarkable is that industry does not mention the shift towards fast fashion, one of the causes of used textiles with a lower recycling (circular) quality. The media highlighted this topic in the UK one month earlier [9-11].

#### **Relevant conditions for Sympany**

Scenario analysis is an instrument to prepare for future action. From the present business model of Sympany we identified their main interests, in general also useable for VHT members:

- Beneficial market conditions
  - good quality, high value, of collected post-consumer textiles
  - low waste content and low treatment costs due to residues
  - no costs for collection permits
  - no competition by industry or municipalities in the collection of textiles
- Support for the operation, vision and ambition of Sympany (VHT)
  - traceability (monitoring of used textiles)
  - ethical and sustainable standards in recycling
  - free market and global operation
- Cost compensation in case of a deficit, caused by
  - collection targets for used textiles (voluntary or legal)
  - rising collection and recycling cost (service to municipalities)
  - essential legal requirements for the operation
  - failing market conditions.

### 3.2 Models for EPR

An EPR-system on textiles is a realistic option for the Netherlands. However, at the moment the design criteria are not defined. Several objectives in the production, re-use and recycling chain of textiles might be requested, either in a discussion for a voluntary EPR, either based on regulation by the central government. Up to now most EPR-systems are designed in alignment with EU-directives to avoid waste dumping and improve the collection and recycling of end of life products or materials and thus save resources. The improvement of the transparency and quality (ethical and environmental) of post-consumer textile recycling may well fit into this type of EPR model.

A key element in the operation of most EPR systems is that collection and recycling operators only are compensated by the producer responsibility organisation (PRO) if they have demonstrated a well-defined performance. Before the use of EPR systems operators were paid at the acceptance of the waste. The standard of recycling had to be defined, licensed and checked by government. Still, the behaviour of bad operators caused damage to the environment. The responsibility for the damage in several cases remained unclear or operators were bankrupt. Producers of the products did not have any responsibilities to manage their products when they became 'labelled' waste. EPR filled in this gap. It also saved on the costs of inspection by government. The EPR-system made the operational costs and compensated it by a disposal fee. This fee was mostly related on the put on market quantity of the product or material (the polluter pays principle). The disposal fee may be charged by a producer responsibility organisation (PRO). Also a tax system can be used to collect the fee.

At the moment Sympany and colleagues in especially Nordic countries pay for the costs to meet objectives that might be supported by other stakeholders or may even be their responsibility, but are not compensated by them. We have outlined four potential EPR models that may be introduced using a disposal fee. Two are based on existing EPR systems and two are theoretical models:

1. French model on textile (existing)
2. Dutch model on packaging (existing)
3. EPR for circular textile production and recycling (wide scope, theoretical)
4. EPR for optimal textile recycling (limited scope, theoretical).

#### 3.2.1 French model on textile

##### **Objective**

Stimulate the sorting of used textiles and thus improve social employment.

##### **Main instrument**

Financial compensation of the sorting costs of used textiles through a fee on household textiles put on the market.

**Operation**

The compensation for the sorting of used textiles is based on a cost price study of two consulting firms using a protocol of the ministry.

Eco TLC, a PRO of the French textile industry, is granted for 3-5 years by ministry to charge a fee per textile product put on the market to fund the needed compensation.

**Design elements**

Industry only has a role in financing the sorting, but has no authority to finance other objectives. There is no legal role for municipalities.

### 3.2.2 Dutch model on packaging

**Objective**

Improve the collection and recycling of packaging towards recycling targets.

**Main instrument**

Financial compensation of the collection, sorting and recycling costs of packaging through a fee on packaging (€ per kg of a specific material) put on the market.

**Operation**

The operation is described in a framework agreement between industry and municipalities initiated by government. The compensation is based on cost price study of behalf of industry and validated by municipalities. The operation, monitoring and compensation are described in a protocol drafted by the PRO in cooperation with municipalities. All operators are licensed and monitored by the PRO (Afvalfonds/Nedvang).

**Design elements**

Industry is also financing the improvement of circularity and stakeholders have founded an institute for sustainable packaging. Materials with limited (glass) or no deficit (wood, paper) are only compensated for the costs of monitoring or in case of failing market conditions. The agreement for the disposal fee of Afvalfonds, the only PRO, has been declared generally binding for all industry. Afvalfonds has extended authority to inspect the packaging industry.

### 3.2.3 EPR for circular textile production and recycling

**Objective**

Stimulate circularity of textile, e.g.: longer lifetime, better re-use and recycling options, higher textile to textile recycling content, etc. (wide scope).

**Main instrument**

Organisation and compensation of the circularity of textiles through a (differentiated) fee on household textiles put on the market.

**Operation**

The compensation for the collection, sorting and recycling of used textiles is based on a protocol issued by all stakeholders. Other initiatives of more circular operation are compensated as well or included in a lower fee.

Dutch textile PRO is operator and charges and collects the fee per textile product put on the market and compensates operation and research (circularity institute).

**Design elements**

Industry in cooperation with operators and municipalities are authorised for specific purposes and have complementary well documented roles to align interests and avoid gaps in operation.

### 3.2.4 EPR for optimal textile recycling

**Objective**

Documented recycling of post-consumer textile for process and product (limited scope).

**Main instrument**

Compensation of the (additional) recycling costs through a (differentiated) fee on household textiles put on the market.

**Operation**

Compensation for the recycling of post-consumer textiles based on a protocol issued by operators in cooperation with industry. Dutch textile PRO is operator and charges and collects the fee per textile product put on the market and compensates operation and specific research (textile collecting and recycling institute).

**Design elements**

Operators determine the standard of collecting, sorting and recycling and draft a protocol in cooperation with industry and define the compensation. Industry forms a PRO, with representation of operators, to monitor and operate the system.

Municipalities support the system and invest in collection (in alignment with EU-regulations). Government organises the cooperation of stakeholders, supports with inspection or an authorisation of the PRO by a general binding declaration. A board of all actors or stakeholders prepares for future incentives and development of operations (limited to wide scope).

## 3.3 Scenario's for the introduction of a disposal fee

We have defined four potential developments (scenario's) in the business of used textiles, starting from the present situation:

1. Industry takes the lead to prepare a proposal for voluntary EPR, and informs for support at VHT;
2. Industry hesitates, does not reply to the request of government, and government takes the lead for preparing a legal based system:
  - a. to imply targets for collection and recycling of used textiles,
  - b. to develop targets for the circularity of textiles (wide scope), including the targets for the collection and recycling of used textiles;
3. Standstill, industry and municipalities do not agree on their roles and obligations and government is not willing or able to make progress towards a system or fee;
4. VHT prepares a proposal for a compensation (by a tax or disposal fee) based on information of the operations.

### 3.3.1 Scenario 1: Industry prepares for a voluntary EPR

Although industry has not responded substantively on the request of government, there is a growing awareness that the textile production chain is under pressure of society. Especially ethical conditions, accelerated by the Rana Plaza incident, and circularity, driven by the large carbon and environmental footprint<sup>16</sup> are key issues. Besides, individual importers have taken action, e.g. H&M started in 2012 with worldwide collecting unwanted garments. H&M reports the collection of 20.639 ton of textiles in 2018<sup>17</sup>, but is not transparent what happens with these textiles. The actions show that the awareness of industry of its responsibility is growing. On the other hand the earlier analysed comment of the Dutch textile industry points at a national fund and not at an EPR-system.

It remains questionable if industry is ready to think in terms of an EPR, and if they have the knowledge to draft a complete proposal for EPR. VHT members and municipalities are running present operations. Normally, this would be the moment that industry asks the operating organisations for knowledge and information. This give operators the opportunity to benefit from their position. They should prepare for input on the design of an EPR-system that supports their interests.

### 3.3.2 Scenario 2: Industry hesitates, government prepares for a legal EPR

The recent comment of the secretary of VGT suggests that there is no determined vision of industry on EPR. Government has put a (soft) deadline on the request for a proposal. If industry has not responded by the end of 2019, government might take steps towards a legal basis. The direction and timeline for this action are open. Besides, central government has an obligation to ensure separate collection of textiles by the end of 2024. Now present collection is at approximately 40% of used textile generated and within the range of comparable EU countries the pressure on a further rise in collection could be low. Also keeping in mind the effects of the green deal. This might open a time window of 3-4 years for designing the obligations and requirements for EPR on textiles.

If government chooses option a. the existing EPR models might be used as examples. It is likely that all mentioned stakeholders will be involved in the process and that the knowledge and operational expertise of VHT will be valuable.

In case of option b. government chooses the direction of designing obligations for the circularity of textiles. This is a wider scope and the implementation will be more complicated, since it could result in a new type of EPR with more stakeholders involved. After all, the total chain of production and recycling has to be addressed with textile production and retail industry as the key actor. To gain time for this more complicated process government could separate the obligation for improved collection of post-consumer textiles from the ambition to enhance circularity of

<sup>16</sup> The state of fashion 2018, Mc Kinsey company.

<sup>17</sup> H&M Group, Sustainability report 2018.

textiles. Municipalities might be requested to take the lead in the collection in alignment of the target for household waste in general.

Option a. might also serve as a first step towards option b. In both cases VHT and its members should be prepared for discussions with the central government and defend their interests. Both options will open the possibility to prepare input and will determine the position of the sector for the next decade. In case of option a. the position of VHT might be stronger because the scope is limited to their operations.

As in scenario 1 VHT and their members should prepare for input during the design of the EPR-system.

### 3.3.3 Scenario 3: Standstill, industry and municipalities do not agree

A standstill in the development might occur if industry not only hesitates to draft a proposal, but decides to block the process. Then government should start preparing a legal basis for EPR (scenario 2). However, if government is not willing to start preparing a legal EPR, the development towards a disposal fee can be delayed beyond the time window of 3-4 years mentioned in scenario 2.

The impact of a standstill for more years is that the situation might get worse for Sympany and VHT members in general. The role of municipalities is crucial. They might be the reason for a standstill if they don't want to cooperate with industry and disagree with the opinion of industry that they have to fund for a circular textile chain. During the development of the Dutch packaging EPR (model 2) frequent discussions occurred between industry and municipalities. In that case the central government actively participated to draft a framework agreement. The pressure resulting from the legal obligation for the Netherlands to implement the EU-directive on packaging was much higher than in the present situation for textile.

### 3.3.4 Scenario 4: VHT prepares a proposal for compensation

The standstill scenario 3 may block developments for improving the transparency and quality of the recycling of used textiles because no funding is available. This might have a negative impact on the public opinion on the sector (VHT-members). Scenario 4 is pro-active and can be used as an element of all other scenario's. VHT could draft a proposal with a well-defined budget needed for the compensation of costs that operators at the moment make on a voluntary basis and stress that financing is needed for a more transparent and child labour free textile recycling valued chain. The observations of the textile recycling in India show that children are involved in the extensive recycling industry that is concentrated in Panipat and where Dutch, among other European, used textile is processed.

The proposal can be used as input if industry or government take the first steps. It can also be used to address the position of VHT members in general and/or a call for an EPR like model 4. The role of with municipalities in the rising cost of collection can be clarified. Besides, the discussion is not about costs only. A crucial advantage of VHT is that they have knowledge and experience of the operations. This is what other stakeholders are certainly missing. The more accurate and reliable the available data of VHT, the stronger the position in discussions.

### 3.4 Other options to support recycling

In the report on Tor result 2.2 (par. 5.2-5.4) we gave an overview of alternatives of EPR. We encountered: certification using the GRS standard, the OECD guidance for due diligence in garment and footwear industry and the experience of the Goodweave (certification) system. These alternatives are usable instruments towards more transparency of recycling. However, the funding of costs is not a part of certification or a due diligence protocol. All these instruments define a standard way of operation and will have impact on the costs. Financing is possible if customers require for GRS or for due diligence and are willing to pay for it. Also for the Goodweave system the customer determines if he requires a certificate that proofs ethical (no child labour, no forced labour and living wages) production.

The main customers in the chain of the recycling of post-consumer textiles are not on the demand side but on the supply side of the collection companies. If these customers require instruments for transparency the costs of their operation should have to rise. For the moment it is difficult to charge these costs to central government, industry or municipalities. On the demand side the customers are the buyers of the recycled yarn or the products of recycled yarn or the products with recycled yarn content. This market is rapidly growing and a selling point is certainly the closed loop recycling and the conditions of recycling. Brands like loop a life ([www.loopalife.com](http://www.loopalife.com)) choose for inland production of recycled yarn or content in their product. Wolkat ([www.wolkat.com](http://www.wolkat.com)) is operating the full cycle from the sorting of used textiles to products with a production location in Morocco. Although transparency is included in the concept, like the Goodweave concept, the verification is not described. Another example is Weecos ([www.weecos.com](http://www.weecos.com)), a marketplace for sustainable, especially Nordic, brands . A lot of brands are presented.

The examples of customer demand for transparency are niche markets. They support to address the problem and make customers aware, but provide no integral solution for all post-consumer textiles that are collected. The financing has to come from the supply side of post-consumer textiles. Then the collection, sorting and recycling can be made transparent, using guided due diligence, certification, acknowledgements, homologation or similar instruments. The funding of the investments is not easily incorporated in the present operating chain with its decreasing profits. So a tax, an EPR system or a national fund are the best options to compensate this 'transparency deficit' within a profitable operation. A disposal fee on new textiles is still one of the best alternative since it creates awareness for the customers and taxes at the



decisive moment. But a fee or tax on more general topics, like a general green tax, could also provide funding. Finally, municipalities could tax the households at the moment of discarding and incorporate the costs in their (differentiated) waste tax.

From our experience it is more problematic to charge a fee if the relation to the topic is distant, although the taxing might be very effective and easy to operate. As an example, during the design of the EPR system for tyres the industry thought of an indirect taxing on the Periodical Car Inspection (APK). Although it could be a very effective way of taxing and easy to incorporate, a main obstacle remained the low correlation between the changing and discarding of old tyres and car inspection.

## 4 Workshop

As a concluding and third part of Tor 2.5 a workshop was organized at the office of Sympany on January 15, 2020. Annex D gives the outline and the participants invited by Erica van Doorn, director of Sympany, i.e. RVO, the ministry of I&W, Rijkswaterstaat, Arisa, the textile recycling association (VHT) and the textile industry (Modint and VGT). Representatives of INretail, NVRD and VNG were invited but not present at the workshop.

### 4.1 Objective and outline of the workshop

The objective is to discuss the urgency of the introduction of EPR for the textile value chain. The participants were invited as stakeholders in this discussion and the draft report of this study (excl. chapter 4) was available as a preparation.

As an introduction to the workshop Erica van Doorn and Gemma Claessen of Sympany have presented their activities and in particular the FBK project – Children in the forgotten link of the textile supply chain. Frank Hopstaken of FFact has presented the results for Tor result 2.1, 2.2 and 2.5 and has coordinated the workshop together with Marianne Löwik of Sympany.

After the introduction three questions inspired the dialogue:

1. What can your organisation do to contribute to a textile value chain that is on track before 2025?
2. Which interventions might be successful towards EPR or a recycling scheme?
3. What agreements are possible?

### 4.2 Conclusions

During the presentations some topics were more intensively discussed:

- What is the background of the decrease of recycling industry in Panipat?
  - Virgin resources are cheap and there is a severe competition to produce the products that are typical recycled products (e.g. blankets);
  - Indian government is not supporting the recycling industry.
- Why are costs increasing for collection companies like Sympany?
  - Higher waste content;
  - Lower prices for material for re-use and recycling;
  - Continuing (high) costs for municipal collection contracts.
- The role of municipalities and collection contracts is discussed. The NVRD Benchmark report for 2018 is mentioned. The total costs per household for textiles are € -1 (€ -155 per ton), so there is still a profit for the municipalities. There are 7,8 million private households in The Netherlands. Cooperation of municipalities is crucial for an EPR and for a smooth operation.
- An example of the role of municipalities is the packaging scheme. During the years (starting 2006) their role has become more clear and defined. Big steps

were made by drafting the Raam-overeenkomst (General agreement on packaging).

- How do EPR schemes cover innovation? Most EPR schemes have research funds for innovations in the recycling chain. They invest the funds for all producers. The packaging scheme has founded an independent Institute for knowledge on Sustainable Packaging (KIDV).
- What is the opinion of producers towards recycled yarn? Quality, price and supply are crucial. There is on a small scale application of recycled content in denim. Other markets are in development.

All participants have answered question 1 and the results were sorted and discussed. The following themes were distinguished:

1. Draft a covenant or general agreement on the development of EPR for textiles with boundary conditions for the implementation;
2. Invest in innovation, in supply of recycled content, different sorting systems in the recycling chain;
3. Create continue transparency in the chain, invest in monitoring, gather facts about used textiles and their flow through the value chain.

The industry is positive about a general collective agreement between all stakeholders. Their starting point is the recent sectorplan [7] and the aim to agree on a Textile Pact. In the agreement attention has to be paid to the social and sustainable (circular) component. The ministry should provide the boundary conditions that create a first step towards a circular economy. This integration should end up in an effective and proportional EPR scheme for textiles and its complete value chain.

A specific point of attention is the integration of social elements in the EPR. The law on child labour and living wages must of course be respected by the EPR scheme, but it is questionable, from a legal point of view, if funds (fees) may be used for social elements. The Waste directive is not clear on this point. If integration is possible the fee for the EPR-scheme could better be called a transition fee, pointing at the integration of elements.

The ministry is not sure if the integration of social elements is possible from a legal point of view. If there is a possibility for the integration it is worthwhile to investigate the options.

The second question is also answered. The ministry states there will be an EPR for textiles. The question is if it is voluntary or legal. But also for a legal basis it is good to understand the objectives of all stakeholders and to combine them to support the future operation.

Industry points at the sectorplan for the objectives: Also the textile recycling branche (VHT) should draft their objectives, as well as the municipalities. Industry has learnt

from the covenant that collective funds are needed to make progress. However, textiles is a global market and Netherlands is in many cases (too) small to innovate and force a transition. So, we have to be realistic and conclude at what point we have arrived and what are possibilities in this international value chain.

With respect to question 3 all participants agree that we have arrived at a moment to look for an agreement that is possible. There are still questions to be solved, like how to conclude if there is a deficit in the recycling chain and how to handle the value part of the chain from this perspective (in scope or out of scope). There will always be some differences in approach and perspective and, like other products with EPR, the textile market is competitive and has small margins. Through the dialogue of this afternoon we gained insight and also support to move on.

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## Annex A: EPR according to the Waste Directive

Following the text of Directive 2008/98/EC with the amendments of 2018, included on the places indicated by M4.

### CHAPTER II

### GENERAL REQUIREMENTS

#### *Article 8*

#### **Extended producer responsibility**

1. In order to strengthen the re-use and the prevention, recycling and other recovery of waste, Member States may take legislative or non-legislative measures to ensure that any natural or legal person who professionally develops, manufactures, processes, treats, sells or imports products (producer of the product) has extended producer responsibility.

Such measures may include an acceptance of returned products and of the waste that remains after those products have been used, as well as the subsequent management of the waste and financial responsibility for such activities. These measures may include the obligation to provide publicly available information as to the extent to which the product is re-usable and recyclable.

#### **▼M4**

Where such measures include the establishment of extended producer responsibility schemes, the general minimum requirements laid down in Article 8a shall apply.

Member States may decide that producers of products that undertake financial or financial and organisational responsibilities for the management of the waste stage of a product's life cycle of their own accord should apply some or all of the general minimum requirements laid down in Article 8a.

#### **▼M4**

2. Member States may take appropriate measures to encourage the design of products and components of products in order to reduce their environmental impact and the generation of waste in the course of the production and subsequent use of products, and in order to ensure that the recovery and disposal of products that have become waste take place in accordance with Articles 4 and 13.

Such measures may encourage, *inter alia*, the development, production and marketing of products and components of products that are suitable for multiple use, that contain recycled materials, that are technically durable and easily repairable and that are, after having become waste, suitable for preparing for re-use and recycling in order to facilitate proper implementation of the waste hierarchy. The measures shall take into account the impact of products throughout their life cycle, the waste hierarchy and, where appropriate, the potential for multiple recycling.

**▼B**

3. When applying extended producer responsibility, Member States shall take into account the technical feasibility and economic viability and the overall environmental, human health and social impacts, respecting the need to ensure the proper functioning of the internal market.

4. The extended producer responsibility shall be applied without prejudice to the responsibility for waste management as provided for in Article 15(1) and without prejudice to existing waste stream specific and product specific legislation.

**▼M4**

5. The Commission shall organise an exchange of information between Member States and the actors involved in extended producer responsibility schemes on the practical implementation of the general minimum requirements laid down in Article 8a. This includes, *inter alia*, exchange of information on best practices to ensure adequate governance, cross-border cooperation concerning extended producer responsibility schemes and a smooth functioning of the internal market, on the organisational features and the monitoring of organisations implementing extended producer responsibility obligations on behalf of producers of products, on the modulation of financial contributions, on the selection of waste management operators and on the prevention of littering. The Commission shall publish the results of the exchange of information and may provide guidelines on these and other relevant aspects.

The Commission shall publish guidelines, in consultation with Member States, on cross-border cooperation concerning extended producer responsibility schemes and on the modulation of financial contributions referred to in point (b) of Article 8a(4).

Where necessary to avoid distortion of the internal market, the Commission may adopt implementing acts in order to lay down criteria with a view to the uniform application of point (b) of Article 8a(4), but excluding any precise determination of the level of the contributions. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 39(2).

*Article 8a***General minimum requirements for extended producer responsibility schemes**

1. Where extended producer responsibility schemes are established in accordance with Article 8(1), including pursuant to other legislative acts of the Union, Member States shall:

- (a) define in a clear way the roles and responsibilities of all relevant actors involved, including producers of products placing products on the market of the Member State, organisations implementing extended producer responsibility obligations on their behalf, private or public waste operators, local authorities and, where appropriate, re-use and preparing for re-use operators and social economy enterprises;



- (b) in line with the waste hierarchy, set waste management targets, aiming to attain at least the quantitative targets relevant for the extended producer responsibility scheme as laid down in this Directive, Directive 94/62/EC, Directive 2000/53/EC, Directive 2006/66/EC and Directive 2012/19/EU of the European Parliament and of the Council (<sup>5</sup>), and set other quantitative targets and/or qualitative objectives that are considered relevant for the extended producer responsibility scheme;
  - (c) ensure that a reporting system is in place to gather data on the products placed on the market of the Member State by the producers of products subject to extended producer responsibility and data on the collection and treatment of waste resulting from those products specifying, where appropriate, the waste material flows, as well as other data relevant for the purposes of point (b);
  - (d) ensure equal treatment of producers of products regardless of their origin or size, without placing a disproportionate regulatory burden on producers, including small and medium-sized enterprises, of small quantities of products.
2. Member States shall take the necessary measures to ensure that the waste holders targeted by the extended producer responsibility schemes established in accordance with Article 8(1), are informed about waste prevention measures, centres for re-use and preparing for re-use, take-back and collection systems, and the prevention of littering. Member States shall also take measures to create incentives for the waste holders to assume their responsibility to deliver their waste into the separate collection systems in place, notably, where appropriate, through economic incentives or regulations.
3. Member States shall take the necessary measures to ensure that any producer of products or organisation implementing extended producer responsibility obligations on behalf of producers of products:
- (a) has a clearly defined geographical, product and material coverage without limiting those areas to those where the collection and management of waste are the most profitable;
  - (b) provides an appropriate availability of waste collection systems within the areas referred to in point (a);
  - (c) has the necessary financial means or financial and organisational means to meet its extended producer responsibility obligations;
  - (d) puts in place an adequate self-control mechanism, supported, where relevant, by regular independent audits, to appraise:
    - (i) its financial management, including compliance with the requirements laid down in points (a) and (b) of paragraph 4;
    - (ii) the quality of data collected and reported in accordance with point (c) of paragraph 1 of this Article and with the requirements of Regulation (EC) No 1013/2006;

- (e) makes publicly available information about the attainment of the waste management targets referred to in point (b) of paragraph 1, and, in the case of collective fulfilment of extended producer responsibility obligations, also information about:
  - (i) its ownership and membership;
  - (ii) the financial contributions paid by producers of products per unit sold or per tonne of product placed on the market; and
  - (iii) the selection procedure for waste management operators.

4. Member States shall take the necessary measures to ensure that the financial contributions paid by the producer of the product to comply with its extended producer responsibility obligations:

- (a) cover the following costs for the products that the producer puts on the market in the Member State concerned:
  - costs of separate collection of waste and its subsequent transport and treatment, including treatment necessary to meet the Union waste management targets, and costs necessary to meet other targets and objectives as referred to in point (b) of paragraph 1, taking into account the revenues from re-use, from sales of secondary raw material from its products and from unclaimed deposit fees,
  - costs of providing adequate information to waste holders in accordance with paragraph 2,
  - costs of data gathering and reporting in accordance with point (c) of paragraph 1.

This point shall not apply to extended producer responsibility schemes established pursuant to Directive 2000/53/EC, 2006/66/EC or 2012/19/EU;
- (b) in the case of collective fulfilment of extended producer responsibility obligations, are modulated, where possible, for individual products or groups of similar products, notably by taking into account their durability, reparability, re-usability and recyclability and the presence of hazardous substances, thereby taking a life-cycle approach and aligned with the requirements set by relevant Union law, and where available, based on harmonised criteria in order to ensure a smooth functioning of the internal market; and
- (c) do not exceed the costs that are necessary to provide waste management services in a cost-efficient way. Such costs shall be established in a transparent way between the actors concerned.

Where justified by the need to ensure proper waste management and the economic viability of the extended producer responsibility scheme, Member States may depart from the division of financial responsibility as laid down in point (a), provided that:

- (i) in the case of extended producer responsibility schemes established to attain waste management targets and objectives established under legislative acts of the Union, the producers of products bear at least 80 % of the necessary costs;

- (ii) in the case of extended producer responsibility schemes established on or after 4 July 2018 to attain waste management targets and objectives solely established in Member State legislation, the producers of products bear at least 80 % of the necessary costs;
  - (iii) in the case of extended producer responsibility schemes established before 4 July 2018 to attain waste management targets and objectives solely established in Member State legislation, the producers of products bear at least 50 % of the necessary costs,
- and provided that the remaining costs are borne by original waste producers or distributors.

This derogation may not be used to lower the proportion of costs borne by producers of products under extended producer responsibility schemes established before 4 July 2018.

5. Member States shall establish an adequate monitoring and enforcement framework with a view to ensuring that producers of products and organisations implementing extended producer responsibility obligations on their behalf implement their extended producer responsibility obligations, including in the case of distance sales, that the financial means are properly used and that all actors involved in the implementation of the extended producer responsibility schemes report reliable data.

Where, in the territory of a Member State, multiple organisations implement extended producer responsibility obligations on behalf of producers of products, the Member State concerned shall appoint at least one body independent of private interests or entrust a public authority to oversee the implementation of extended producer responsibility obligations.

Each Member State shall allow the producers of products established in another Member State and placing products on its territory to appoint a legal or natural person established on its territory as an authorised representative for the purposes of fulfilling the obligations of a producer related to extended producer responsibility schemes on its territory.

For the purposes of monitoring and verifying compliance with the obligations of the producer of the product in relation to extended producer responsibility schemes, Member States may lay down requirements, such as registration, information and reporting requirements, to be met by a legal or natural person to be appointed as an authorised representative on their territory.

6. Member States shall ensure a regular dialogue between relevant stakeholders involved in the implementation of extended producer responsibility schemes, including producers and distributors, private or public waste operators, local authorities, civil society organisations and, where applicable, social economy actors, re-use and repair networks and preparing for re-use operators.

7. Member States shall take measures to ensure that extended producer responsibility schemes that have been established before 4 July 2018, comply with this Article by 5 January 2023.

8. The provision of information to the public under this Article shall be without prejudice to preserving the confidentiality of commercially sensitive information in conformity with the relevant Union and national law.

▼M4

## Annex B: Information on the Eco TLC system

### Coverage and legal basis

The EPR obligation covers clothing, household textile and shoes sold to private households. It does not include textile used by professionals (such as production of furniture, cars) or to hotels.

The EPR obligation is included in Article L 541-10-3 of the Environmental law in 2006. The detailed obligations are specified in Articles R 543-214 till 543-224 of the same law. In 2009 the organization Eco TLC was approved for the first time as collective system to implement the obligations on behalf of the sector. In 2014 this approval was renewed for 6 years.

### Obligations and obliged actors

Producers or importers are obliged to contribute to or provide for the recycling and treatment of waste from these products. They can do this by contributing financially to the collective system Eco TLC or by setting up an individual system of collection and treatment that meets the terms of reference as provided for by the government.

All natural or legal persons that put textile on the market in France are obliged actors in this context.

### Objectives to be achieved under the current approval for Eco TLC

1. collection and treatment of 50% of the amount of textile waste generated;
2. The obligation to make available a bring point for textile for each 2000 inhabitants and ideally endeavor to install such points for each 500 inhabitants;
3. Recovery of 95% of all collected textile, via reuse, recycling or energy recovery of which at least 20% should be obtained via recycling.

The amount generated is estimated at 600.000 ton per year in 2014 and 624.000 ton in 2017. In 2014 Eco TLC collected around 150.000 ton. In 2017 this was increased to 223.000 ton. The second objective would imply around 45.000 bring points in France. In 2011 there were 15.621 collection points and in 2017 42.936.

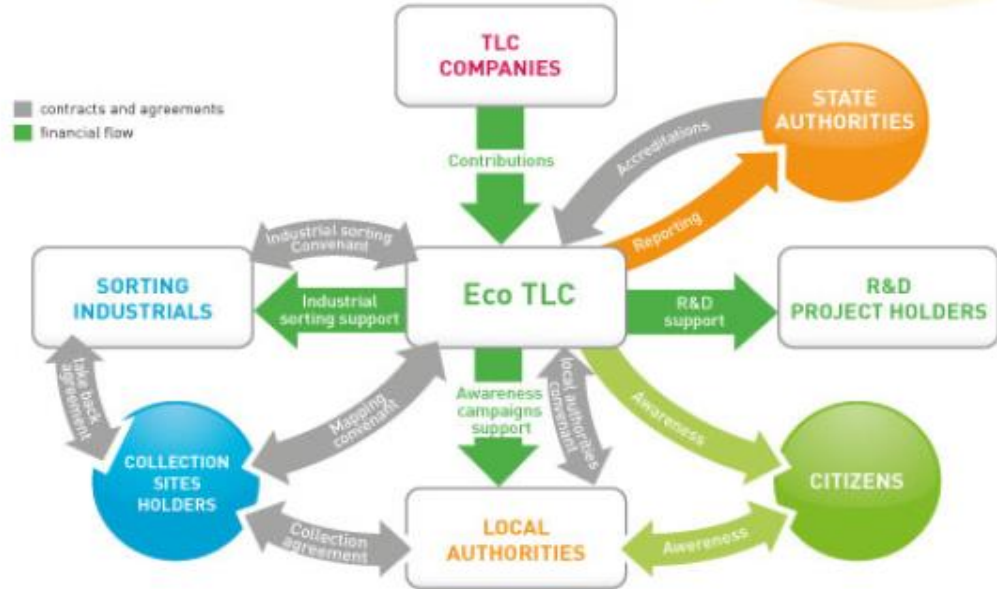
### Eco TLC

Eco TLC groups the actors in the sector represented. There are around 4500 adherents and 29 associated companies that set up the organization. They have contracts with the organisations that operate the bring points, sort textile and with the local authorities. They also have contacts with consumer organisations and environmental NGOs. Below a recent scheme is presented.

### Eco TLC's objectives:

As a central stakeholder of the sustainable development of the industry, Eco TLC works towards 100% reuse or recycling of used TLCs. To achieve this ambition, the company positions itself as a facilitator.

- Eco TLC collaborates with
- Over 5 000 TLC Companies
  - 190 collectors
  - 60 sorting facilities
  - 500 local authorities



### Tariffs

To cover the costs Eco TLC requires the obliged industry to pay a contribution with a differentiation based on differences of costs. The tariffs are in cent per item, excluding VAT and are given in the following table.

Type	2008 – 2010	2014	2018	2019
<b>CLOTHING</b>				
Very small items	0,1 ct	0,121 ct	0,132 ct	0,156 ct
Small items	0,4 ct	0,484 ct	0,528 ct	0,626 ct
Medium sized items	0,6 ct	0,726 ct	0,791 ct	0,938 ct
Large items	4,0 ct	4,84 ct	5,28 ct	6,259 ct
<b>HOUSEHOLD LINEN</b>				
Very small items	0,1 ct	0,121 ct	0,132 ct	0,178 ct
Small items	0,4 ct	0,484 ct	0,528 ct	0,713 ct
Medium sized items	0,6 ct	0,726 ct	0,791 ct	1,068 ct
Large items	4,0 ct	4,84 ct	5,28 ct	7,128 ct
<b>SHOES</b>				
Small items	0,4 ct	0,484 ct	0,528 ct	0,739 ct
Medium sized items	0,6 ct	0,726 ct	0,791 ct	1,107 ct

For small actors (less then €750.000 annual turnover or less than 5000 items put on the market Eco TLC uses a lump sum contribution and those companies do not have

to do a declaration of the number of items per year to the organization. For 2008 to 2010 this lump sum was € 20 per year and in 2019 it is € 45 per year.

### Promotion of eco-design

A reduction of 50% of this contribution is attributed to items containing more than 15% recycled fibres. In 2015 this applied to 739.000 item, an increase of 35% in one year but still represents a very small proportion of the total number of items put on the market.

### Sorting operators

These have to ensure that at least 90% is being recovered of which at least 20% is recycled and maximum 5% is being disposed of (landfill or incineration without energy recovery).

They get the following support for **the exploitation**:

- 65€ per ton recovered (including production of RDF)
- 20€ per ton sent to incineration with energy recovery
- 0€ for per ton disposed.

If the installation **invests** in increased sorting capacity they get a premium for the additional tonnage sorted in the year after the investment in machinery or staff (extra staff employed or staff that follow specific training). This can be a maximum of € 125 per extra ton.

There is also a premium for companies that **develop recycling**. The modalities and amounts are determined each year.

In 2017 Eco TLC paid 16,3 M€ sorting premiums which is on average 88€/t sorted. In 2009 it paid 19,6M€ sorting premiums which represented around €200 per ton sorted.

### Collection

The collection can be done using:

- Containers at bring-points
- Depots of associations or shops
- Door-to-door collection
- Collection on demand.

These points of collection can be operated by charity organisations, local authorities or private operators. In 2014 Eco TLC had contacts with 272 operators of such points covering 34.650 collection points. Eco TLC provides for harmonized and customizable information materials that can be put on the collection points and makes available information on the location of the collection points. The operators of the points provides:

- Information on the location of their collection points to Eco TLC
- Provides information about the tonnage collected and their destination to the local authorities

- Uses the harmonized information materials to provide information to the users.

**Collection results**

The following collection results are reported (kt).

	2012	2013	2014
Associations	43	43	24
Professional collectors	34	47	58
Collector- sorters	65	69	93
Total	149	159	175

**Sorting**

Two main types of sorting are distinguished:

1. Simple sorting or ‘creaming’.

Only those pieces that can be sold immediately as second hand are sorted. The remainder is transported to a sorting facility or exported.

2. Full sorting (90% of the volume)

Making the distinction in the different qualities destined for

- Reuse
- Recycling
- Energy recovery
- Disposal.

Only the activities of full sorting are eligible for support from Eco TLC.

In France there are 15 operators that sort and operate 45 sorting centres. EcoTLC also uses 15 sorting centers located abroad (Belgium, Netherlands, Germany and Portugal).

The results in percentage are given in the next table.

	2012	2013	2014
Reuse	60	61	64
Fibre production	24	23	20
Wiping cloths	9	9	9
Other recycling (production RDF°)			4
Sorting residues	9	6	3
Total	101	99	100
Non targeted materials	2	2	2,5

**Reuse**

10% stays in France. The remainder goes mainly to Africa and to some extent to Asia and Eastern Europe.



**Recycling**

Most of the recycling is based on the recuperation of fibres. This requires sorting of the textiles into same fabrics and preferably into the same color. This activity used to be done in France but has nearly completely disappeared. Currently this takes place either in North Africa (Tunisia or Morocco) or in Asia.

## Annex C: Background of EPR in Norway

Norway was one of the first countries to introduce EPR for some of the waste streams, e.g. for WEEE. However, the authorities are not too keen on expanding the system to a lot of other streams, because it is not easy for authorities to manage these schemes. For textile people don't see the urgency because:

- It is a non-hazardous stream and therefore does not require very close steering to ensure the stream does not pollute the environment;
- There is a need for design for the environment but EPR is typically not very effective in achieving this. Most production is done in Asia and the economic incentive to improve because of the EPR fees does not steer enough;
- Most of the increased collection has to be done by municipalities. The financing mechanism of asking for a fee upon sales by and EPR organization that would distribute the fee to local authorities is one way, but also a small import tax on textile and use that money for collection would be a possibility.

The main problem seems to motivate people to keep textile separate and to improve the possibilities for people to hand over the textile separately from mixed household waste.

Currently there are some thoughts how to improve this. The most likely pathway seems to improve the possibilities for people to hand over textile waste to the local civic amenity site in places where there is insufficient coverage of bring points from the current collectors.

Some municipalities have done pilots with handing out waste boxes for textile to households which are collected door to door at certain intervals. Others are thinking of collecting textile in a specific bag to be picked up together with paper and cardboard. The idea of requiring shops that sell textile to mandatory offer the possibility for clients to drop of waste textile is studied.

It may also be an idea to give households a bag for textile and have an app where they can signal their bag is full and get a transporter to pick this bag up.

## Annex D: Participants workshop

Date: January 15, 2020

Location: Sympany office Utrecht

Program:

14:00 Welcome

14:15 Presentation FBK project by Gemma Claessen of Sympany

14:45 Presentation EPR in the textile value chain by Frank Hopstaken of FFact

15:45 Question 1

16:15 Feedback on input

16:30 Question 2

16:45 Question 3 and closure

Participants:

Erica van Doorn - Sympany

Marianne Löwik - Sympany

Gemma Claessen - Sympany

Frank Hopstaken - FFact

Jeroen van Haarlem - VHT (recycling branche)

Emile Bruls - Rijkswaterstaat

Peter Koppert - Modint (textile industry)

Jeroen van Dijken - VGT (textile industry)

Jenny Montanus - Ministry I&W

Iemy Brand - RVO (agency financing the FBK-project)

Suzanne Tempel - Arisa (counterpart in FBK-project)

(invited but unable to participate: Inretail, VNG, NVRD)

Presentations:

1. Post-consumer Textile recycling - Sympany
2. Workshop: EPR in the textile value chain - FFact

## Annex E: Tech talk at the OECD forum

Sympany was invited to deliver a tech talk at the OECD forum for due diligence in the garment and footwear sector, held from 11-13 February 2020 at the OECD Conference centre in Paris.

The abstract of the tech talk is given below. The presentation is published on <https://www.sympany.nl/over-sympany/publicaties>.

Organizing organisation: **Sympany, The Netherlands**

Theme: **post-consumer textile value chain in circular economy**

Context: During a project to trace the recycling of post-consumer textiles collected in the Netherlands we observed that the connection of the value chain is hanging by a thread. As this connection is a prerequisite for a truly circular textile value chain a disconnection must be avoided. EPR is the missing link to step up to a circular economy.

Presentation: **Frank Hopstaken (FFact)**

Title: **Extended Producer Responsibility: the missing policy link for responsible textile value chains**

The textile recycling industry, like in Panipat (India), is under pressure. Panipat city is the world's largest recycler of woollen garments for decades. With new products as cheap as used ones, Panipat's recycling industry declines. Demand for recycled yarn has decreased and new markets are scarce. The private textile industry is not taking responsibility for the recycling of unwearable post-consumer textile. Their policy is ad hoc and not evidence-based. The result is the invisibility of the severe risks in textile recycling.

How to address this challenge and what options are available? It must be a policy that reframes the textile value chain and allocates responsibility for post-consumer textile and its re-use and recycling systems - including the low value part. EPR for textiles is a potential solution. It is incorporated in the Waste Directive and recently minimum requirements were formulated. Member States have to fulfil these requirements by January 5, 2023. Moreover, Member States shall implement separate collection for textiles by 2025, promote re-use and prepare re-use and recycling targets for textile waste by the end of 2024. This causes a clear incentive to introduce EPR for textiles.

Member states have up to 25 years of experience with EPR systems. They know what it is and how EPR works in sectors like cars, tyres, paper, packaging, batteries and electronics. France was the first and up to now only country that implemented EPR for textiles. Since 2008 Eco TLC is the operating organisation on behalf of producers.

However, the focus in France was to enhance collection which resulted in a rise from 18 to 40% collection of textiles put on the market in 2018. Recycling of unwearable used textiles was no topic so far.

The lessons learnt from other sector EPR systems reveal that apart from the minimum requirements for EPR also 7 principles must be incorporated to obtain an effective EPR scheme for textiles. The largest challenges are to set specific targets for a mandatory recycled content in textiles and to define crystal clear rules for the operating organisations including requirements for social standards.

If an EPR scheme is properly designed and implemented it is the missing policy link to realize a responsible textile value chain and step up to a circular economy. It can repair the disconnection and create demand for recycled yarns of a far better quality than presently produced. This will ultimately reduce the costs of an EPR scheme, like we have seen for other products.

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# Together we make sustainability visible

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implementation