



## **Recycling businesses at the heart of the circular economy** **Committed to resource the economy for future decades**

### **SMEs in the circular economy: the internal market from an entrepreneur's perspective**

***By Dr. Rainer Cosson, Managing Director of BDSV e. V.***

In my opinion, the issue on the agenda of emphasising the position of SMEs in the circular economy comes down to the following question: Should distinctions be made between large companies and SMEs that are operating in the circular economy? Or from a different perspective: Should SMEs be able to demand special treatment in the circular economy where they operate in place of large companies?

These questions often play an important role in our federation. Of the approx. 530 member companies of the BDSV, most have fewer than 200 employees. There are a large number of SMEs compared with just a handful of large companies. And the federation often finds itself being urged by SMEs to obtain some form of 'dispensation' against any new proposed legislation affecting the circular economy and to mitigate the effects of more stringent implementation of environmental regulations. How can this be justified? SMEs believe that they can only remain competitive if they are not subject to the same level of regulation governing the circular economy as large companies. Otherwise SMEs would be forced to cease their activities, the diversity of companies would be lost and jobs would be destroyed.

Of course, large companies will never share this view. In fact, they argue to the contrary. It is indeed the large companies that are checked first by the enforcement authorities to ensure that they are observing the environmental regulations. Large companies must go to great lengths to ensure compliance. This means that competitive disadvantages exist right from the outset. Furthermore, large companies do not have a more favourable cost structure than SMEs per se. Let us ignore the validity of the arguments put forward by both sides for a moment. There is another key question here that we should consider: Would it help the circular economy if we were to treat the SMEs any differently from the large companies?

During the course of my now 25 years of experience in the waste management industry, I have come to a clear conclusion: Quite simply: No. Playing off big against small – or even the other way round, small against big – does not benefit the advancement of the waste management industry! Of course, each and every company must give full consideration to the size and facilities it will need in order to be able to overcome specific business challenges. Readjustments must possibly be undertaken here. The 'smallness' of a company is not in itself a reason for it to be worthy of protection!



The fundamental problem lies elsewhere however:

A circular economy protects natural resources, thus contributing to conserving the environment. At the same time, however, managing waste is a process that itself generates environmental pollution, such as contamination of the soil, groundwater and air. We're dealing with a classic conflict of objectives here. Companies create environmental pollution as they serve the needs of the circular economy. So how is such environmental pollution (still) tolerable in the quest to achieve an improved circular economy?

All too frequently we discover that people are not even aware of the policy surrounding this conflict of objectives. Everyone is fighting his own corner. For example, in terms of setting higher waste recycling quotas, real attempts are in some cases being made to outdo the competition. This is one aspect. Another is the issue of counteracting older or newly recognised environmental risks with even more intensive environmental regulations. Anyone that expresses doubt about whether these regulations are actually feasible is often branded an environmental criminal on the spot.

We therefore need a policy that is consistent. Political courage is needed to set the correct priorities and then commit to them. Setting the right priorities in times of extraordinarily low prices on the primary raw materials market is admittedly more difficult than if the markets were balanced. Who, in the decision-making bodies of the EU, calculates the damage that arises from mining iron ore in Australia or Brazil, or bauxite in the Democratic Republic of Congo? Obviously 'the world' doesn't end at the borders of the EU – environmental protection is an exceptional global issue. Therefore European environmental policy cannot disregard the global dimensions under any circumstances.

Please understand this as my firm plea for more and simplified recycling in Europe!

In line with the subject under discussion, you also wanted to hear my opinion on the topic of the *internal market*. This brought me straight to a further problem; one with which I am repeatedly confronted as an official of the federation: There is a highly pronounced tendency for the enforcement authorities in Germany to carefully, fully and robustly implement laws enacted in Germany as a result of European environmental directives. This 'fate' is shared with a handful of other member states, but certainly not by them all! Please forgive me, esteemed colleagues from the Mediterranean States – in Germany the saying "Mediterranean enforcement" is quite common. Ladies and gentlemen, you will immediately understand that this means the polar opposite of the common practice in Germany of very stringent enforcement of the law by the authorities.

Therefore I must remind the EU institutions that they should not only be concerned with enacting additional and more stringent environmental laws of debatable value; they must also make a serious effort to standardise enforcement throughout the EU. If this does not happen, our federation members – both SMEs and large companies alike – will suffer competitive disadvantages! It is our conviction that this is not how the *internal market* should operate.