SUSTAINABLE SOURCING — A KEY COMPONENT OF THE CIRCULAR ECONOMY

The concept of a circular economy, in which materials are used efficiently and responsibly throughout their life-cycle, is becoming widely accepted in the EU. It provides consumers, industries and society as a whole with a path forward for making sustainable decisions.

The responsible sourcing of materials is a crucial step on this path and towards the broader goal of decoupling resource consumption from economic growth.

As one of the world’s largest markets, the EU is uniquely placed to create the momentum behind a global shift towards a circular economy. The EU should act not only for environmental reasons, but also because it makes business sense as it will give the EU a competitive edge in the global economy.

However, to make it happen, it is clear that the EU has to embed sustainable sourcing into its resource policies to ensure a level playing field among industry sectors. Developing viable supply chains with social responsibility and environmental considerations will have to be a cornerstone of this policy.

The EU Commission seems to agree in general terms as the EU Environment Commissioner Janez Potočnik identified sustainable sourcing as “an important business opportunity to facilitate the transition to a circular economy” (see page 5).

Sustainable sourcing of wood has been a key priority for ACE members for many years. Experience from existing sourcing schemes must be shared and better understood, enabling the EU to develop targeted policies.

To help trigger dialogue on this, ACE joined WWF and Unilever in a call at Europe’s Green Week in June for EU action to “develop ambitious principles and standards for sustainable sourcing” (see page 4).

Existing voluntary schemes could serve as a good basis for developing credible standards – a point also made by EREP (see page 2). Examples of schemes include ACE beverage carton manufacturers’ voluntary commitment to source all wood fibres in beverage cartons from legal and controlled sources, demonstrated and third party verified as FSC certified or FSC controlled wood sources; and Unilever’s undertaking to ensure by 2020 that all its agricultural raw materials are sustainably sourced (see page 2).

Sustainable sourcing is a key ingredient of the circular economy says Jacqueline McGlade, UNEP Chief Scientist, who calls on the EU to support global sourcing standards (see page 5). “Time to step up!” WWF tells the EU. As well as the development of new standards, existing sourcing practices require tougher law enforcement, urges Richard Holland, WWF’s Chief Conservation Officer (see page 3).

As part of the circular economy, ACE members are not only engaged in sourcing their main raw material – wood – in a sustainable way to guarantee that renewability is truly defined as preserving resources for present and future generations, they are also committed to increase the recycling of beverage cartons across Europe, which helps contribute to resource efficiency.

By using FSC certification as a tool to demonstrate responsible forest management and to trace the raw material from the forest source to the final carton, ACE members showcase that sustainable sourcing can be put in practice in daily business activities and that it makes perfect business sense.

It is now up to EU policy-makers to take this forward. It is only when there are clear rules, verifiable criteria, full transparency and a level playing field for all alike, that meaningful steps towards a circular economy covering the full lifecycle of materials can be taken.
Unilever’s vision is to double the size of the business, whilst reducing our environmental footprint and increasing our positive social impact. We are committed to sourcing 100% of our agricultural raw materials sustainably by 2020. Sustainable sourcing addresses a core business risk by ensuring security of supply and managing price volatility.

We focus on our top ten agricultural raw material groups, which account for around two thirds of our agricultural raw material volumes. We are also making progress with the responsible sourcing of our non-renewable materials, which make up about 50% of our total raw material purchases.

Beyond large-scale sourcing programmes already underway, a new strategic departure is our decision as of 2014 to invest disproportionate effort in accelerating progress on two priorities:

- Working to eliminate deforestation from supply chains to help mitigate climate change – at a company level, at a consumer goods industry level and at a multi-sectoral level.
- Championing sustainable agriculture and the development of smallholder farmers – driving transformational change in agricultural systems as a whole.

For paper and board we encourage our packaging suppliers to embrace sustainable sourcing policies and practices and, in turn, to encourage their own suppliers to adopt more sustainable practices. Our target is to source 75% of the paper and board for our packaging from certified, sustainably managed forests or from recycled material by 2015 and to reach 100% by 2020.

THE EUROPEAN RESOURCE EFFICIENCY PLATFORM (EREP)

EREP was designed to provide high-level guidance to the European Commission, Members States and private actors on the transition to a more resource-efficient economy, as outlined in the European Commission’s Roadmap to a Resource-Efficient Europe. Launched in June 2012 it offers space for a debate on resource efficiency challenges and opportunities, especially focusing on the key resources, sectors and policy areas defined in the Roadmap to a resource-efficient Europe.

EREP gathers stakeholders from the European Commission, European Parliament, EU Member States, international organizations, local and regional authorities, business and industry, civil society organisations and academia, chaired by John Burton, former Prime Minister of Ireland and vice-chaired by Janez Potocnik, EU Commissioner responsible for environment.

The Platform calls Europe to double its resource productivity by 2030 – at least – in order to boost competitiveness of our industry and maintain a high quality of life for citizens. In its “manifesto and policy recommendations” EREP states:

“Principles for sustainable sourcing standards should be developed and piloted for priority materials and commodities by relevant stakeholders, through voluntary schemes led by industry and retailers. The work should draw on lessons learnt from voluntary schemes that already exist in this area (e.g. fish, timber, palm oil). Capacity building for suppliers, especially SMEs, should be encouraged.”
Sustainable sourcing is much more than a simple technical matter for company purchasing departments or governments. It goes to the very heart of their responsibility in tackling the worst impacts on people and on nature in commodity producing countries – e.g. deforestation, water and energy overuse, pollution, land-grabbing, poor labour conditions. These impacts in producer countries are inextricably linked to unsustainable consumption behaviour elsewhere (see WWF’s 2012 Living Planet Report).

To counter this, leading companies and international supply chains have taken some encouraging steps – e.g. Marks & Spencer’s 2020 commitment to ensure the social and environmental quality of its products and to eliminate deforestation from critical commodities by 2015. Credible voluntary standards on production and traceability are also now in place along some raw material supply chains (see box) and cover increasing volumes. Governments’ role in enforcing the legality of products placed on the market is a further step towards sustainable sourcing.

All very well as far as it goes but the EU does not go far enough. It needs to do a lot more to guarantee that the products bought by consumers are sustainably sourced. Sustainability requirements for bio-fuel products, for instance, fall far short of levels attained by EU rhetoric. Weak implementation of the EU Timber Regulation also highlights the gap between aspiration and reality. Two-fold action is needed.

### THE ACE VOLUNTARY COMMITMENT ON WOOD TRACEABILITY

- **Paper Mills Source from Independently Certified Forests and Other Legal and Acceptable Sources**
- **Traceability at Paper Mills is Independently Verified According to CoC Standards Set by FSC**
- **Beverage Carton Manufacturers are Committed to 100% CoC Certification of Their Plants**

**CUSTOMER**

Customers have confidence that ACE members’ cartons come from legal and acceptable sources.
JOINT SESSION OF WWF, UNILEVER AND ACE AT GREEN WEEK

‘100% SUSTAINABLY SOURCED – HOW TO MAKE IT HAPPEN?’

This was the title of a well-attended panel discussion in Brussels during the European Commission’s Green Week in June. For this meeting, WWF, Unilever and ACE have joined forces and decided to bring together experts and policy makers for an in-depth discussion. More than 100 experts, journalists, policy officers and campaigners filled the room; others participated on Twitter.

The theme of this year’s Green Week was the Circular Economy. As sustainable sourcing is an essential element in achieving that, this conference offered a perfect occasion to discuss what should be understood by ‘sustainable sourcing’, what has already been done on this issue and how sustainable sourcing could be developed by policies and legislation from the EU.

On the panel were John Bazill from Directorate General Trade of the EU Commission, Richard Holland, Chief Conservation Officer at WWF Netherlands as well as representatives of the business community Willem-Jan Laan, Director Global External Affairs, Communications at Unilever, and Mario Abreu, Global Director Environmental Performance at Tetra Pak.

The discussion started with an attempt to define the concept of sustainable sourcing more clearly. While everyone agreed that this was quite ambitious and that more discussion is needed, a consensus did emerge that sustainable sourcing should include environmental, economic and social considerations in equal measure. Another important point of agreement between the speakers was the absolute need for more sustainability in the supply chain from a business perspective. Only when raw materials are sustainably sourced, will producers be guaranteed a steady supply, at predictable prices, an absolute must to make sustainable sourcing economically viable.

Two elements were identified to be essential in actually getting to such a sustainably sourced supply chain: clear and transparent certification and applying the lessons learned in Europe, for example in forestry, to the global level, to worldwide trade agreements between the EU and third countries. Finally, perhaps the most important conclusion was that all the players – businesses, governments, consumers and NGOs, locally and internationally – have to join forces to tackle the issue. As Willem Jan Laan (Unilever) put it: “To make this happen, we need to partner!”. Richard Holland representing WWF’s Market Transformation Initiative furthermore stated that governments need to be involved to achieving 100% sustainable sourcing.

Commission representative John Bazill agreed in principle on many of these points. In his opinion, standards for sustainable sourcing needed a global approach. However, if there even was consensus between business leaders and NGOs that it was crucial to act now to take sustainable sourcing to the next level, there would indeed be no reason not to accommodate these insights in comprehensive EU legislation. Mario Abreu (Tetra Pak) made clear he agreed: clear criteria, full transparency and a level playing field will go a far way in getting sustainable sourcing to the next level.

Read more about the event at www.beveragecarton.eu
Setting The Scene

SUSTAINABLE SOURCING STANDARDS: EU SUPPORT FOR GLOBAL SCHEME NEEDED

Over the past decade the world’s attention has been largely focused on improving resource efficiency, through management of waste streams and recycling. However, even as legislation and voluntary actions kick-in worldwide, it is clear that there are real limits to the extent that resources derived from waste streams can replace raw materials. For example, UNEP’s International Resource Panel’s work on specialty metals shows that even with the best extraction technologies, recovery rates for most metals are less than 10% in direct recycling of electronic waste.

Running a circular economy thus means looking at the beginning of the cycle and addressing the issue of sustainable sourcing through careful analysis of a wide range of impacts. In an upcoming study, the Panel examined the production of various forms of renewable energy, and found that they have very different impacts in terms of greenhouse gas emissions. Similarly, in agriculture, in a recent assessment of global land use, the Panel highlighted that degraded land is not only a form of lost production but also causes inefficient use of key resources, such as water and nutrients. The Panel therefore agreed that there needs to be better co-operation between manufacturers and consumers, enhanced international efforts towards sustainable sourcing and a decoupling of markets for food and fuel.

The key elements of sustainable sourcing that EU policy-makers can tackle are promotion of knowledge of the impacts of unsustainable supply chains, including the impacts of subsidies and support for a global scheme to verify and standardise sustainable sourcing of raw materials. Business and NGOs can provide support for such initiatives by raising consumer awareness of the importance of sustainable sourcing in moderating prices and reducing the risks to those whose livelihoods depend on providing the raw materials.

"Business and consumers remain the key actors in the transition to a circular economy. Sustainable sourcing provides an important business opportunity in the production phase to facilitate this transition."

Janez Potocnik
European Commissioner for the Environment

Jacqueline McGlade
International UNEP Chief Scientist and International Resource Panel Member
VERIFIED TRACEABILITY OF BEVERAGE CARTON INDUSTRY’S GLOBALLY SOURCED WOOD FIBRE REACHES 93%

According to the independent verifier Proforest, ACE beverage carton manufacturers have made good progress to meet their 2015 global voluntary commitment to source all wood fibre for beverage carton production from chain-of-custody certified sources. In 2013, 93% of the fibres purchased worldwide were FSC-certified or FSC controlled wood compared to 88% in 2012. Furthermore, 89% of ACE members’ beverage carton plants are now FSC Chain-of-Custody (CoC) certified which will allow more beverage cartons to bear the FSC label.

ACE 20TH ANNIVERSARY

We are pleased to announce that ACE will celebrate its 20th anniversary in 2014. We will organise an event for our key stakeholders in the Bibliothèque Solvay on 3 December 2014. So please save the date.

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