

ETRMA

Retreading – a virtuous Circular Economy model

Global Retreading Conference 2018

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**EUROPEAN
TYRE & RUBBER
manufacturers'
association**





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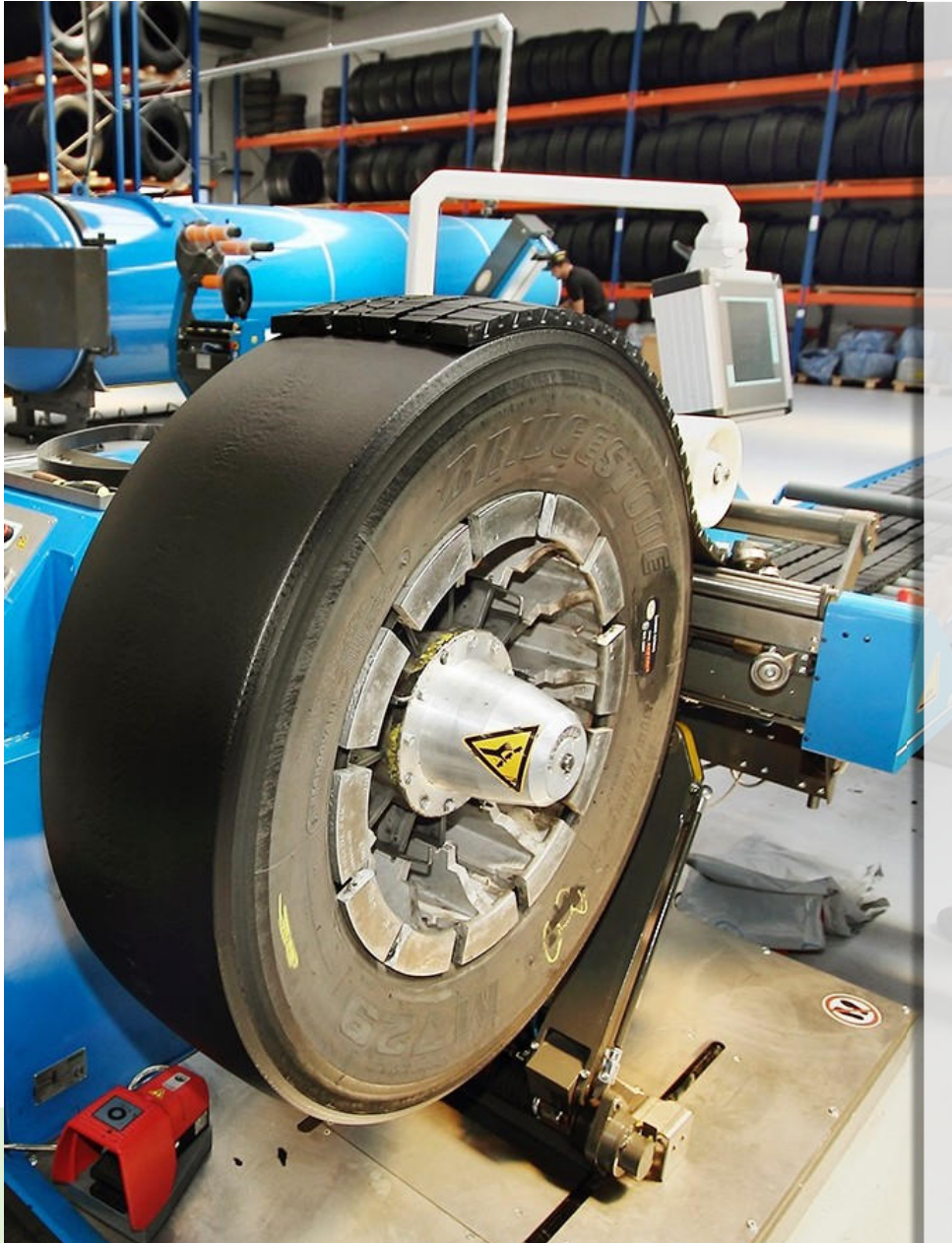
PROMETON



Outline

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- 1. Retreading & Tyre Circular Economy**
- 2. Retreading – Current situation in Europe**
- 3. Retreading – A best practice**



What is retreading?

COUNCIL DECISION of 13 March 2006 amending Decisions 2001/507/EC and 2001/509/EC with a view to making UN/ECE Regulation Nos 109 and 108 on retreaded tyres compulsory

2.37. “Retreading” means the generic term for **reconditioning** a **used tyre** by replacing the worn tread with new material. It may also include renovation of the outermost sidewall surface and replacement of the crown plies or the protective breaker.



Why retreading?

Improve tyre lifetime in tapping the full casing potential and reduce the cost price per km

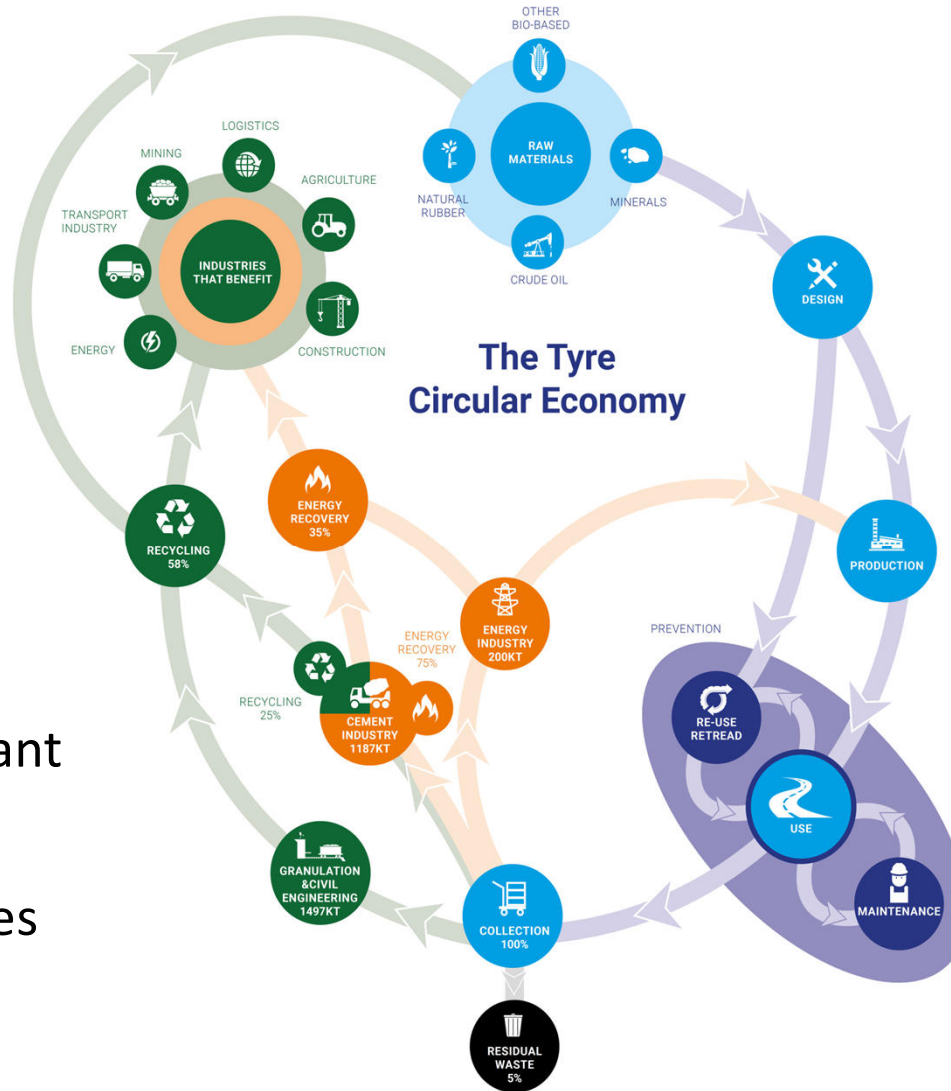


What are the requested conditions?

1. The tyre must have been originally designed to be retreaded
2. The tyre must have been maintained according to standard practice



Retreading, an important link in the circular economy of truck tyres





2 models in opposition

For truck tyres

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Dominant
model:
**Premium Tyre
+retreading**

¥ More expensive tyres (when purchasing)
but tyre lifetime x 2,5 on average

2

Competing
model: **Low
cost tyre,
not
retreadable**

¥ Attractive price (when purchasing), but
extra cost in the long term and poor
environmental profile

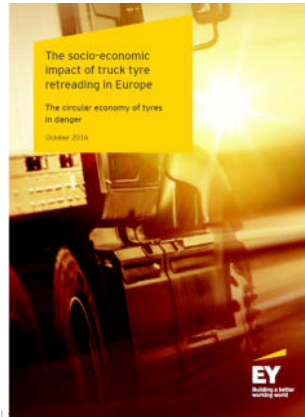
Socio-economic impacts of retreading in EU

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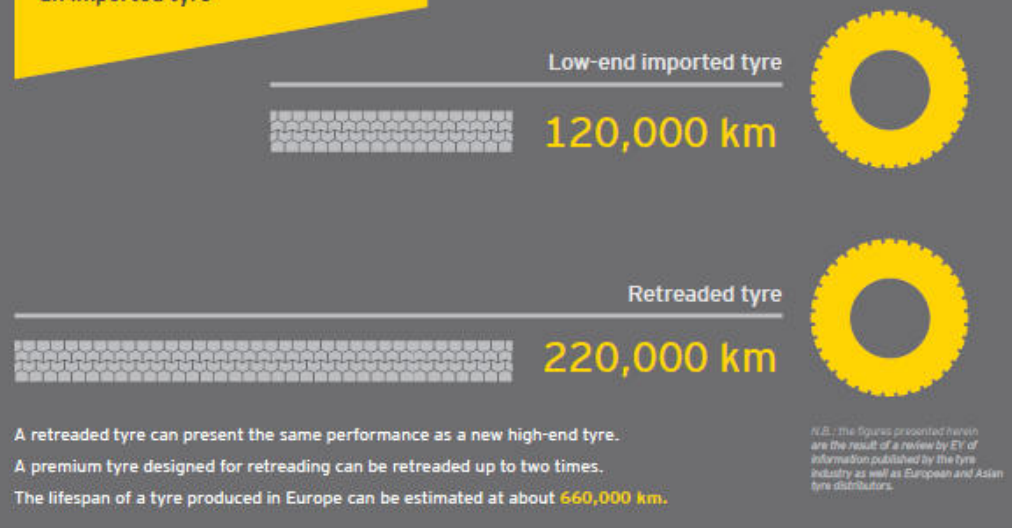
Compared to a low-end non-retreadable tyre,
a retreaded tyre
enables saving...

- 70%** natural resource extraction (ore, oil...), mainly because of the avoided consumption of steel casings
- 29%** land use or growing hevea
- 24%** CO₂ emissions
- 21%** air pollution, as measured by particulate matter emissions
- 19%** water consumption

Source: Ernst & Young study



The lifetime
of a retreaded tyre compared to
an imported tyre

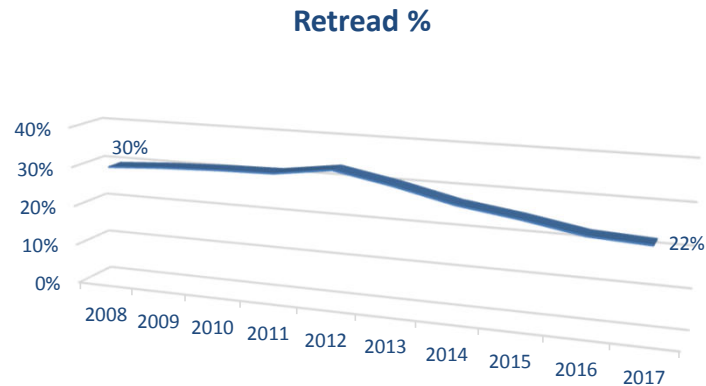


1. Retreading & Tyre Circular Economy
2. Retreading – Current situation in Europe
3. Retreading – Best Practice

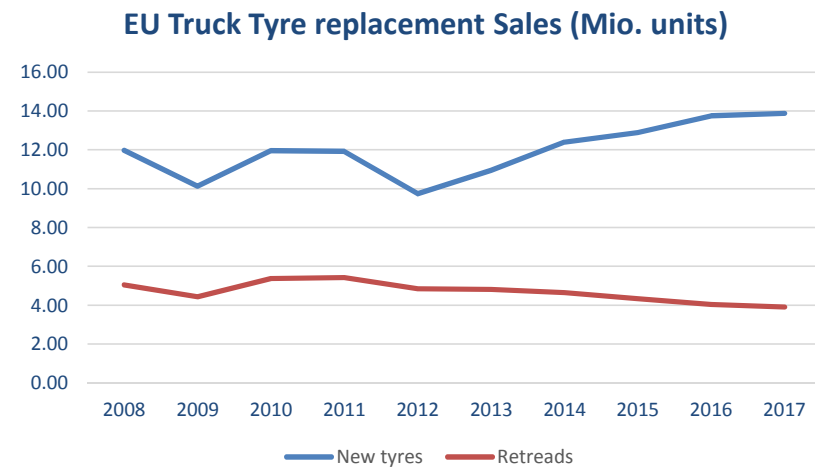
Consequently, a decrease in the truck tyre retread ratio

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EVOLUTION OF RETREAD VS. GLOBAL VOLUME OF REPLACEMENT TRUCK TYRES



Source : LMC International



Source : LMC International



A paradox!

Circular Economy is at the centre of political priorities & societal expectancies



COP 21



**Circular Economy
Action Plan**

Reuse, repair,
remanufacturing to
be promoted



**Directive
2008/98/CE**

Promotes reuse as
waste prevention
measure

Outline

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How to promote retreading?

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- Options available & pro's+con's assessment
 - Circular Economy Package & Ecomodularity
 - Economic instruments
 - Differentiated VAT regime (« VAT Package »)
 - Others?
 - GPP (Green Public Procurement)
- State Aid - De Minimis - Germany
- Green Deals & national Circular Economy Action Plan - France

Ecomodularity

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- Principle

- Economic instrument related to social, society & environmental criteria
- Integration of « externalities » in the cost of products (through differentiated VAT or ecofees)
- Depending on criteria to be defined for products / groups of products (such as recyclability, reusability, content of hazardous substances, durability, ...)
- Two leverages of Circular Economy: to push for « greener » consumption (demand side) and push manufacturers for implementing ecodesign principles (supply side)

Ecomodularity

Circular Economy Package (Revised WFD – 18/4/2018 – post trilogue)

Principle of modularity of ecofees based on re-usability

Article 8a

General requirements for extended producer responsibility schemes

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

- (b) *in 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 their recyclability and the presence of hazardous substances hereby taking a life-cycle approach and aligned with the requirements set by relevant Union law, and when available, based on harmonised criteria in order to ensure a smooth functioning of the internal market;*

Ecomodularity



Principle of differentiated ecofees, based on recyclability already implemented but ecofee = 0 for retreaded tyres in many countries, hence difficult to apply

BAREME CATEGORIEL 2016			EVOLUTION DE LA CONTRIBUTION 2004* A 2016			VARIATION EN %
Catégorie Aliapur	Poids moyen	Type de pneumatiques	Prix HT 2004*	Prix HT 2014	Prix HT 2015 & 2016	Evolution HT 2004*/2016
A1 (de 3 à 5 kg)	4,06 kg	Motos	1,00 € (2009)	0,80 €	0,75 €	-25,00%
		Quads	1,00 € (2009)	0,80 €	0,75 €	-25,00%
		Tous pneus entre 3 et 5 kg	1,00 € (2009)	0,80 €	0,75 €	-25,00%
A2 (de 5 à 20 kg)	7,57 kg	Voitures	2,20 €	1,35 €	1,25 €	-43,18%
		4x4	2,20 €	1,35 €	1,25 €	-43,18%
		Petits Utilitaires	2,20 €	1,35 €	1,25 €	-43,18%
		Tous pneus entre 5 et 20 kg	2,20 €	1,35 €	1,25 €	-43,18%
A3 (de 5 à 20 kg)	7,57 kg	Pneus spéciaux (colmatables, équipés de dispositifs additionnels...) sous réserve qu'ils soient aisément identifiables lors du tri		Prix défini selon spécificités du pneu	Prix défini selon spécificités du pneu	
Véhicules utilitaires			10,80 €	9,70 €	9,10 €	-15,74%

Ecomodularity – Further aspects to be considered

- Competition

Since ‘dirty’ products are penalised, modulated fees will affect competition. Producers of ‘dirty’ models may see their sales reduced whereas producers of ‘eco-friendly’ products may experience a competitive advantage. In consequence, achieving the consensus needed to introduce such modulated fees may be hard to achieve, when considering that producers are the founding members of the PRO (Didier and Sittler, 2014). Conversely, allowing producers to independently determine modulated fees, may foster collusion or abuse of market power (Fleckinger and Glachant, 2010). Therefore, policy makers should promote and monitor modulated fees.

Source: OECD EPR Guidance document, 2016

Therefore, *The Commission shall publish guidelines, in consultation with Member States, on cross-border cooperation concerning extended producer responsibility schemes and on 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 paragraph 4 of Article 8a, excluding any precise determination of the level of the contributions.

Economic instruments

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Differentiated VAT regime (« VAT Package »)

[http://eur-](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:347:0001:0118:en:PDF)

[lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:347:0001:0118:en:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:347:0001:0118:en:PDF)

COUNCIL DIRECTIVE 2006/112/EC of 28 November 2006 on the common system of value added tax

EU COM Action Plan on VAT

http://europa.eu/rapid/press-release_IP-16-1022_en.htm

http://ec.europa.eu/taxation_customs/business/vat/action-plan-vat_en

N.B. EU legislation in the field of taxation requires unanimity by member states, making any changes to agreed rules difficult.

1. Differentiated VAT regime – National initiatives



Issue: Differentiated VAT is unlikely to promote the sales of retreaded tyres (in B2B environment)

“Value added tax (VAT) reform: **Resource-efficient goods** should be subject to a lower VAT rate of 7%. A VAT system which differentiates based on ecological criteria would be feasible, pending changes to corresponding [EU](#) legislation. “It will certainly be no easy discussion but it is one which must be held in the EU. The system could also be applied in Germany for services such as repairs”, said Ms Krautzberger - UBA)”

<https://www.umweltbundesamt.de/en/press/pressinformation/resource-efficient-products-should-be-cheaper>

Communication (2008)

Public Procurement for a Better Environment

- Political **target**: **50%** of tendering procedures to be green by 2010
- Common **EU GPP criteria** for priority products and services
- Legal/operational **Guidance**
- GPP National Action Plans



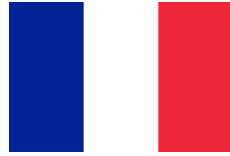
GPP is voluntary...with some exceptions

- **Energy Star Regulation (2008):** obligation to buy office equipment at least as efficient as the Energy Star standards
- **Clean Vehicles Directive (2009):** obligation to buy environmental friendly vehicles (taking at least CO₂, PM10, NOx and NMHC), life cycle tool!



Currently under Revision: ETRMA is proposing that 30% of all publically procured tyres for HDVs are retreaded tyres ...





Green Deal : Retreading (Feb. 2017) French C.E. Roadmap (April 2018)

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Engagement pour la Croissance Verte (Green Deal)

Engagement pour la croissance verte relatif à la valorisation du
rechapage pour l'allongement de la durée de vie des
pneumatiques de poids lourds

Entre

La Ministre de l'Environnement, de l'Énergie et de la Mer, chargée des relations
internationales sur le climat, Madame Ségolène Royal, et le secrétaire d'État chargé de
l'Industrie, Monsieur Christophe Sirugue, agissant chacun en sa qualité de représentant de
l'État,

Ci-après dénommés conjointement « l'État » d'une part,

et

Le SNCP (Syndicat National du Caoutchouc et des Polymères) représenté par son vice
président, Thierry Martin-Lassagne,

Ci-après dénommés **les porteurs de projet** d'autre part.

L'État et le porteur de projet sont dénommés ci-après **les cosignataires**.

+

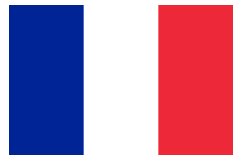


French C.E. Roadmap

- 2017-2020 commitment involving French authorities (Environment & Industry Ministries) and tyre manufacturers, collectors, ELT management companies, ...
- Aim: Remove obstacles to retreading and valorise this reuse model
- Linked to the French Roadmap on Circular Economy, pushing for reuse
- « Bottom-up » approach from industry
- Voluntary commitment

<https://www.ecologique-solaire.gouv.fr/sites/default/files/Feuille-de-route-Economie-circulaire-50-mesures-pour-economie-100-circulaire.pdf>

<https://www.ecologique-solaire.gouv.fr/sites/default/files/ECV%20-%20SNCP.pdf>

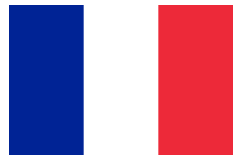


**Green Deal :
Retreading (Feb. 2017)
French C.E. Roadmap (April 2018)**

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Examples of actions:

- « Clean Vehicles » Directive « véhicules propres » : Proposal to integrate provisions on C.E., if possible on tyres. **On-going**
- With DGEC* : Study on potential difficulties with the French 24/10/94 Arrêté (law) on mixing retreaded tyres & new tyres on the same axle.
Result : Interpretation issues have been lifted (cf. Commitment 5 - SNCP)
- With ADEME* : Reflexion on the evolution of the « CO2 target » programme to integrate resource efficiency.
Evolution of action item « management of the tyre parc » + evolution of CO2 label (company fleets).
Result : Start of ADEME WG – professionnels (1st half 2018)



**Green Deal :
Retreading (Feb. 2017)
French C.E. Roadmap (April 2018)**

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Examples of actions:

- Study on experimenting display of the lifetime of truck tyres, valorising retreading + possible experimentation.
Result: Starting discussions on potential Index of repairability/durability.
- Development of public procurement for retreaded tyres or retreading services (commitment n°7 professionals).
Result : Launch of a communication action once the study of the « public fleet » is completed and analysed (by 2019).

Brussels, 18 December 2013

State Aid: Commission adopts revised exemption for small aid amounts (*de minimis* Regulation)

Following three public consultations, the European Commission has adopted a revised Regulation on small aid amounts that fall outside the scope of EU state aid control because they are deemed to have no impact on competition and trade in the internal market. Measures that fulfil the criteria of the Regulation do not constitute "state aid" in the meaning of EU rules and therefore do not need to be notified to the Commission for approval before they are implemented. The reform, which simplifies and clarifies the rules, is part of the Commission's State Aid Modernisation initiative (SAM, see [IP/12/458](#)). It will significantly reduce administrative burden for companies and Member States.

The main criteria of the current regulation, which exempts aid amounts of up to €200 000 per undertaking over a three year period, remain unchanged, while the treatment of small aid measures will be further simplified. In particular, companies undergoing financial difficulties are no longer excluded from the scope of the regulation and will therefore be allowed to receive *de minimis* aid. Moreover, the definition of what constitutes an "undertaking" has been simplified and clarified. In addition, subsidised loans of up to €1 million may also benefit from the *de minimis* Regulation if certain conditions are met.



De-Minimis (applicable to retreaded tyres)

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- **Eligibility of tyres under the "Directive on the promotion of safety and the environment in undertakings engaged in the carriage of heavy goods transport by road"**
- Compensation for German transportation companies paying toll for using highways, limited to SMEs
- Rediscussed every year
- No limitation of use of retreaded tyres for non-driven axles
- Decision through "Durchführungsbestimmungen" (Implementing Provisions)
- 80% of Eligible expenditures are funded by the State Aid
- For ex. in 2017 - Transport companies received for retreaded tyres on non-drive axle for 200 euros (purchase, leasing or renting price)
 - (A) Funded by measure 1.3 = 200 euro eligible expenditure (100%) x80% = 160 euro grant amount → 80% of the tyre price was funded in 2017 by the aid
 - (B) Funded by measure 1.9 = 160 euro eligible expenditure (80%) x80% = 128 euro grant amount → 64% of the tyre price was funded in 2017 by the aid

Reifenart	Kenn- zeichnung	Herstellungs- datum	Achse	Reifenzustand	Zuwendungsfähige Ausgaben ¹	Förder- maßnahme
Winter- oder Ganzjahres- reifen	„Bergpiktogramm mit Schneeflocke“ 3PMSF		alle Achsen außer Antriebsachsen	neu <u>oder</u> gebraucht <u>oder</u> runderneuert	100 % des Kauf-/Miet-/Leasingpreises	1.3
			Antriebsachsen	neu <u>oder</u> gebraucht runderneuert	30 % bis 80 % des Kauf-/Miet-/ Leasingpreises 50 % des Kauf-/Miet-/Leasingpreises	1.9
	M+S <u>oder</u> MS <u>oder</u> M/S	bis einschl. 31.12.2017	alle Achsen außer Antriebsachsen	neu <u>oder</u> gebraucht <u>oder</u> runderneuert	100 % des Kauf-/Miet-/Leasingpreises	1.3
			Antriebsachsen	neu <u>oder</u> gebraucht runderneuert	30 % bis 80 % des Kauf-/Miet-/Leasingpreises 50 % des Kauf-/Miet-/Leasingpreises	1.9
		ab 01.01.2018	alle Achsen	neu <u>oder</u> gebraucht	30 % bis 80 % des Kauf-/Miet-/Leasingpreises	1.9
				runderneuert	50 % des Kauf-/Miet-/Leasingpreises	
Sommerreifen			alle Achsen	neu <u>oder</u> gebraucht	30 % bis 80 % des Kauf-/Miet-/Leasingpreises	1.9
				runderneuert	50 % des Kauf-/Miet-/Leasingpreises	

¹ Die Förderung (Auszahlung) beträgt 80 % der zuwendungsfähigen Ausgaben.

Übersicht der Förderungsmöglichkeiten in der Förderperiode 2018: So werden Reifen-Investitionen für schwere Nutzfahrzeuge im Güterverkehr mit öffentlichen Mitteln aus dem De-minimis-Programm bezuschusst.

Conclusions

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- The retreading model for truck tyres is a virtuous business model
- Opportunities exist within the Circular Economy Action Plan, national C.E. roadmaps to promote retreading as reuse model
- Different measures are being discussed at MS level, including State Aids, ecomodulation of eco-fees in EPR countries and lifting of regulatory/interpretation obstacles with the aim of promoting retreading
- Only a right combination of Long Term measures and commitments – involving industry and authorities – can support this business model

THANK YOU



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