



POSITION PAPER

Compliance with Batteries Directive 2006/66/EC

Joint Position Paper of the European Battery Industry and EICTA on several issues arising out of the new Batteries Directive 2006 /66/EC

The following position paper addresses several problematic issues for the European Battery Industry and for EICTA (referred to as the Industry) in relation to compliance with several provisions of Battery Directive 2006/66/EC. In particular, it describes the disproportionate economic impact that would be caused if Art 6.2 (Withdrawal) of the new Battery Directive is not limited to batteries placed on the market from 26th Sept 2008 onwards. A solution is proposed that takes into account the respect of fundamental rules of sustainability and of consumer access to the market.

Assuming imminent publication of the Guidance Document by mid March, industry only has a 6-month period before the Directive takes effect (26th Sept 2008) during which it will apply the guidance in respect of several critical issues (e.g. ‘removability’, ‘withdrawal from market’, ‘marking of button cells and products with embedded batteries’, etc). This timescale will most certainly be insufficient to purge the distribution and supply chains of all non-compliant products. The six month period is already too short to enable manufacturers to apply any design changes to products with embedded batteries. In consequence, industry would urge the Commission to publish the Guidance Document without further delay and consider other measures to prevent a significant and disruptive impact on the market, and to prevent the creation of barriers to trade, in relation to those provisions which require clarification in the Guidance Document.

The Position Paper consists of two parts. The first part summarises the estimated economic impact of withdrawal from market due to Art 6(2) before 28-9-2008. The second part details the arguments of the Industry in order to have a more detailed understanding of the conclusions presented in Part 1.

PART 1. Summary of the estimations and of the economic impact of the interpretation of Art 6(2).

The text of Article 6 (2) “Placing on/withdrawal from the market” opens some ambiguities in its interpretation that should be minimized by a guidance note clarifying that Article 6(2) is only intended to require withdrawal from the market of batteries put on the market **after 26 September 2008** that do not comply with the requirements of the Directive.

The main concern of Industry is the non-conformity to the labeling of batteries according to the Article 21 of the Batteries Directive 2006/66/EC: it relates to the labeling of the collection symbol (crossed out wheeled bin), the marking of the chemical symbol and of the capacity.

- At first glance, the implementation of these requirements would lead to a re-call of batteries already sold to retailers but not yet to end-users. This paper gives an estimation of the costs of the logistics of such a re-call, of the relabeling and/or of the replacement of batteries that cannot be relabeled.
- Secondly, in a worst case scenario the strict implementation of the requirements would lead to re-call batteries sold to end-users. Part 2 details the costs of logistics, replacement and waste management costs for these batteries that would be discarded after the re-call. An estimate of the quantity of waste generated as a result of the strict implementation of Article 6 § 2 is also supplied.
- Thirdly, clarity is also required in view of the capacity marking requirement which should be applied on portable (and automotive) batteries by 26 September 2009. Non-conformity with art. 21(2) of the Battery Directive of portable batteries already placed on the market will **again** lead to similar financial and logistical concerns.

Conclusions.

1. The estimation of the replacement costs of batteries in stock, that cannot be relabeled, would be up to Euro 4.5 billion. The replacement option is selected because the manual relabeling of several billion units of batteries appears as neither technically nor commercially viable. Handling costs of this replacement play an important role together with the costs of new batteries. The replacement option will lead to the generation of large amount of waste.
2. An estimation of the relabeling activity of batteries recovered from end-users would be in the range of Euro 3.2 to 6.4 billion. This range is dependent on the proportion of end-users (20% to 100%) who would send back their batteries for relabeling and it is based on a period of one year. In fact it not known to what period end-users might extend their return of batteries. Due to these high costs, this option appears so unrealistic that instead of relabeling, the replacement option and its associated costs would apply.

3. The re-call and relabeling of batteries with a high value such as those used in applications like laptops, cordless tools and mobile phones is considered instead of recall and replacement. This is due to the high initial costs of the battery packs. The estimation of the relabeling costs is between Euro 420 – 580 Million.
4. The estimation of the waste management costs associated with the disposal and/or recycling of the estimated 123,000 tonnes of primary batteries generated by the replacement operation is of the order of Euro 61.5 Million.

Apart from these costs there is the concern of the environmental impact of such a re-call and replacement or relabeling campaigns for non-compliant batteries. These campaigns will impact the consumption of raw materials (in case of replacement) and energy when transportation and losses of the energy content of batteries are taken into account. The total amount of waste generated and energy losses associated with the withdrawal stands in glaring contrast to any environmental benefit originated by relabeling non-compliant batteries.

PART 2. Detailed understanding of the costs involved

The following Table summarises the financial estimates presented in the position paper.

SUMMARY TABLE		ASSUMPTIONS						TOTAL ESTIMATED COST IMPACT				WASTE
#	STUDY CASES	Nb of Units	Stock period	Replacement Cost per unit	Pre-Paid Postage (*)	Re-labelling (**)	Estimated period to reduce the stock by 90 %	OPTION 1 Replacement	OPTION 2 Relabeling (*) (**)			Waste Generation
		a	b	c	d	e	f	1	2A	2B	2C	
		(in million)	(in months)	(in € per unit)	(in € per unit)	(in € per unit)	(In year)	From Distributors (in € million)	From End Users (in € million) (100 % scenario)	From End Users with 20% success rate (in € million)	From Distributors (**) (in € million)	In Tonnes
1	Primary Batteries (cells)	4100	6	0.25	0.75 to 1.5		< 1	1.025	3000 to 6000	600 to 1200	Ref. to Option1	123000 (***)
2	Rechargeable Batteries (cells)	100	6	3	0.75 to 1.5		1 to 2	300	75 to 150	15 to 30	NV ⁽¹⁾	3000
3	Laptops Rechargeable Packs	10	6		5 to 10	5.2	1 to 2	NV ⁽¹⁾	50 - 100	NV ⁽¹⁾	52	-
4	Cordless Tools Rech. Packs	10	6		8 to 12	5.2	1 to 2	NV ⁽¹⁾	80 - 120	NV ⁽¹⁾	52	-
5	Mobile Phones Rechargeable Packs	100 to 150	3 to 6	20 to 25		3.2	< 1	2000 to 3250	NV ⁽¹⁾	NV ⁽¹⁾	320 - 480	3000 (Option 1)
	Total Economic Impact Range (in € million)							3325 to 4475	3205 to 6370	615 to 1230	424 to 584	129000

(1) NV = These cases are not reported because they are not commercially viable.

(*) Recall and relabeling costs from end users via pre-paid postage are indicated in the column (d)

(**) Recall and relabeling from distribution network to central warehouses of OEMs is estimated to cost between € 3.2 and € 5.2 depending of the application (column (e))

(***) Costs associated with the waste management of those batteries is estimated at € 61.5 millions on the basis of € 500 / T.

Explanations of the assumptions and scenarios adopted for preparing the Table are supplied below.

- Five cases studies are reported in the Table: two cases (1-2) concern individual cells (primary and rechargeable) and three cases (3-5) cover rechargeable power packs used in various electrical and electronic equipments.
- Two options have been considered for calculating the costs impact: Option 1 concerns the “Replacement” of recalled batteries by new ones and Option 2 concerns the re-labelling after recall of batteries or equipment to central warehouses.
- Nb of units reported are representative of the estimated stock for the period indicated in the next column of the Table.
- Pre-paid postage. To optimize the return rate from end-users a pre-paid postage system has been selected as the best option. The costs per case study are indicated in the Table. These costs estimates include the following steps: pre-paid postage envelope + distribution + handling + re-labelling with sticker + return to sender...
- In the case of re-labelling batteries sold together with equipment, the following steps have been considered. The equipment would be returned by distributors to centralised warehouses where the packaging would be open and the battery re-labelled. A sticker would be applied to each individual pack. The packaging would then be re-sealed and returned to the distributor.
- An estimated period to reduce by 90 % the quantity of non-compliant batteries in stock is proposed for consideration.
- Total estimated cost impact Option 1: Replacement. This is the result of the recall of the number of batteries in stock in central warehouses by the unit value of a new battery ex-works in addition to logistic costs. This option is not applied to recall from end users.
- In Option 1, we have considered the replacement of mobile phone batteries on the assumption that a consumer will not accept to have his mobile phone without a battery during six days as a result of shipment of this battery under pre-paid postage. Under this scenario one has considered the exchange of the battery at the distributor’s shops .
- Total estimated cost impact Option 2A: Re-labelling. The costs are representatives for batteries recalled from end-users including the logistic (pre-paid postage) and re-labelling. In option 2A it is assumed that the recalled quantity corresponds to the total quantity of six month’s stock and that 100 % of the quantity would come back.
- Option 2B considers that only 20 % of the recalled quantity would be returned by end-users for re-labelling.
- Option 2 C concerns equipment with batteries stored in distributors facilities. The original equipment box would be returned from distributors to central warehouses for re-labelling battery packs after opening the packaging. The packaging would be re-sealed and send back to distributors.
- Waste Generation. This is the quantity of waste generated by replacing non-compliant batteries by new ones under Option 1.
- The last line ” Total Impact “ indicates the range of the potential economic impact of this operation according to the Options selected.
- In the Table, open scenarios are considered as non viable options.

More detailed calculations are available upon request from RECHARGE, EPBA and EICTA.