

Governments as driver for a Circular Economy

By Arthur ten Wolde – DRAFT VERSION from July 2016

This is a translated and actualised version of an article published in the Dutch magazine Milieu in March 2016

Governments plays a key role in accelerating the development towards a circular economy. Integrating circularity into public procurement is high on the list of leading companies. Other needs are financial incentives for businesses and consumers, an EU directive for circular design and attractive research programs.

Creating a circular economy has risen fast on the political agenda over the past three years. It started in the UK with the Ellen MacArthur Foundation, rapidly followed up by the Dutch Circle Economy. By now, a growing international arena of organisations are committed to the realisation of a circular economy.

Circular vs sustainable

But first the question: what exactly *is* circular? The concept is not quite clear yet. Most used is the definition of the Ellen MacArthur Foundation, "a circular economy is one that is restorative and regenerative by design, and which aims to keep products, components and materials at their highest utility and value at all times, distinguishing between technical and biological cycles." This calls for sustainability throughout the chain: a product is truly circular only if the entire circle checks out. Since this is currently not the case, it is the road towards circularity that matters. In this respect companies are thinking in terms of circular business models, or circular products and services. Examples include: Sharing platforms for citizens and businesses (cars, equipment, services), performance based contracting (e.g., pay per copy for printers), maintenance, repair, 3D printing, second-life sales, products made from secondary raw materials (drinking cartons, recycled plastics, buildings), biomass (elephant grass), cradle-to-cradle products (carpets, office furniture) and sales with a take-back premium (jeans).

So much for the definition. There is also confusion about the difference between 'sustainable' and 'circular'. Circular is hot, sustainability seems out of fashion. Is the Brundtland definition of sustainability no longer relevant? No, it still is: fulfilling the needs of the present without compromising future generations remains crucial. However, after 30 years, the concept of sustainability proves insufficient as a motivator for behavioural change. It is seen by many as something that is probably more expensive, does not go beyond producing a little less polluting, as "responsible" but not very appealing. Only a small minority of companies and consumers produce and consume somewhat sustainably. The term "circular economy" on the other hand proves very appealing, because it involves improving the economy. It is about business models that automatically ensure the combination of planet and profit. About creating jobs and achieving supply chain transparency while contributing to the people-side. Everyone wants to make money or save valuable resources. It means innovation. No wonder that more than a hundred multinational corporations have joined the Ellen MacArthur Foundation.

Barriers

What are companies leading in circularity, such as the 200 members of De Groene Zaak and the 2000 SMEs in the membership of Ecopreneur.eu, asking for to accelerate the circular economy? They call on governments to integrate circularity in public procurement, financial incentives for businesses and consumers, a directive for circular design and attractive research programs. This view was first expressed in a manifesto by De Groene Zaak, MVO Nederland and Circle Economy, signed by Ecopreneur.eu, released in 2015 with strong support from all over Europe, including various

"Biggest obstacle is the lack of powerful demand"

companies and the European Environment Bureau EEB¹. And since then elaborated on in various publications and positions (see [here](#)).

Their appeal arises from the barriers as experienced by these leading companies in their daily business of placing circular products and services on the market. The biggest impediment is the lack of a powerful demand. The benefits for circular products and services, also financially, are often not immediately clear to potential buyers. Sometimes the benefit is too long-term. Often the Total Cost of Ownership is ignored. That is, the cost of the “maintenance department” are regarded separately from those of the “purchasing department”. Incidentally, it may be better to start calling it Total Cost of Use because the circular economy is shifting ownership to use. A second major barrier is the lack of transparency throughout the value chain.

Breaking the stalemate

To break the stalemate, Ecopreneur.eu, De Groene Zaak, and other organisations have been asking for a massive training program for municipalities, cities, regional authorities and the national government on how to integrate circularity in public procurement. Public authorities are major consumers in Europe: they spend approximately 1.8 trillion euro annually, representing around 14% of the EU’s gross domestic product.² If they would implement circularity in 10% of their procurement in 2020, this alone would create a huge boost for the circular economy. The recent EU Council Conclusions on circular economy from the Dutch Presidency confirm the importance of green public procurement in the Circular Economy Package of the European Commission. And the Package contains more elements that can boost the circular economy in Europe. Crucially, for example, is the introduction of financial incentives for businesses, as can be achieved by extended producer responsibility (EPR). Another powerful measure is extending the Ecodesign directive to minimum requirements for circular design. To encourage companies to become leading, EPR fees based on the design should be differentiated down to the company and product level. Finally, research is needed as well. Unfortunately, current EU funding programs such as Horizon 2020 are increasingly unattractive for businesses, especially SMEs. The chance of good proposals receiving a grant has become so low that the scheme is compared to a “tombola”.

"Leading companies call for strengthening of the Circular Economy Package"

Scaling up

In summary, leading sustainable companies, both large and SMEs, call for strong government action to scale up circular economy from niche to mainstream. They are not afraid of laws and regulations to achieve this: they ask for smart, strong regulation based on the “give data once, use many times” principle. Bottom line here is ambitious implementation of the present EU package. Because that is the largest loophole: without ambitious goals, it all comes down to implementation. Existing EPR schemes for example need fundamental improvements and expansion before they will effectively close chains. Ecopreneur.eu and De Groene Zaak therefore require ambitious targets around the circle, e.g. for sharing platforms, reuse and remanufacturing. We welcome the recent call for more ambitious circular economy targets by MEP Simone Bonafè. Finally, an important element still missing is the introduction of financial incentives for consumers, such as tax differentiation in favor of circular products and services. Because no matter the good will and intentions of many, the purchasing behavior of consumers, businesses and governments in the EU is to a large extent determined by price. To create a circular economy requires much more, including enforcement of existing laws and regulations. But pricing, according to leading companies, forms the starting point.

¹ More prosperity, new jobs. Manifesto on Circular Economy Policy in the EU, 2015

² http://ec.europa.eu/environment/gpp/what_en.htm

Arthur ten Wolde (arthur.ten.wolde@degroenezaak.com) works as Circular Economy Expert for the Dutch Sustainable Business Association De Groene Zaak and for the European Sustainably Business Federation Ecopreneur.eu

About Ecopreneur.eu and De Groene Zaak

Ecopreneur.eu

Ecopreneur.eu is the new European Sustainable Business Federation of national associations whose common aim is a new economic framework in which sustainability is promoted, the environment respected and ecological principles are followed. Ecopreneur.eu represents over 2000 sustainable companies - mostly SMEs - in the membership of its 6 members UnternehmensGrün (Germany), Grüne Wirtschaft (Austria), Entrepreneurs Vert (France), De Groene Zaak (Netherlands), ECOVE (Spain) and SEA (Belgium). Through Ecopreneur.eu these associations strengthen the voice of sustainable business in Brussels. Only those associations that reside in a European country and are committed to the common principles of the associations represented in ecopreneur.eu are entitled to become a member.

De Groene Zaak

De Groene Zaak is the leading Sustainable Business Association in The Netherlands, uniting about 200 pioneering companies. We are a member of Ecopreneur.eu and form the Dutch Chapter of the World Business Council for Sustainable Development (WBCSD). All our partners hold to a clear business principle: transforming our current economic order to a sustainable and circular one as fast as possible. De Groene Zaak supports this goal by lobbying for fair competition for sustainable business, by putting sustainability issues on the public agenda, and by connecting sustainable entrepreneurs within our network. In addition, our partners create new opportunities among each other and through cooperation with the green-minded scientific network of Het Groene Brein, which provides partners with access to innovative new research and expert knowledge.