

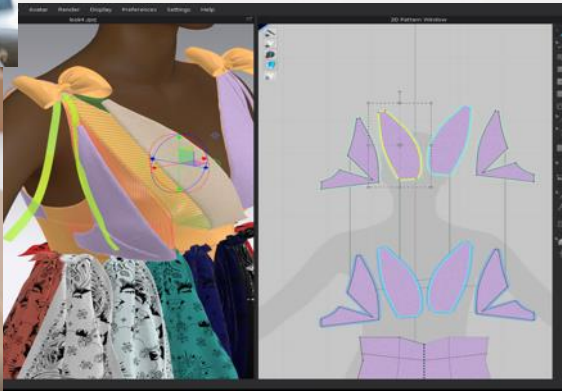
“Make the economics work”

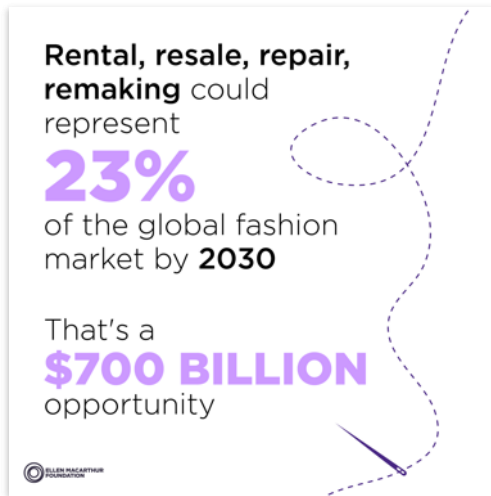
Policy goals for circular business models

08/02/2023

Presented by
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... but to realise this potential,

policy interventions are needed.



**The circular economy
is a bigger idea**



EU CE policy-making - overview by IEEP

*Review of key EU CE initiatives since the publication of the
EU Circular Economy Action Plan (CEAP) in March 2020.*

September 2022



Report

European Circular Economy policy landscape overview

Table 8: Overview of the type and current status of CE initiatives discussed in this report

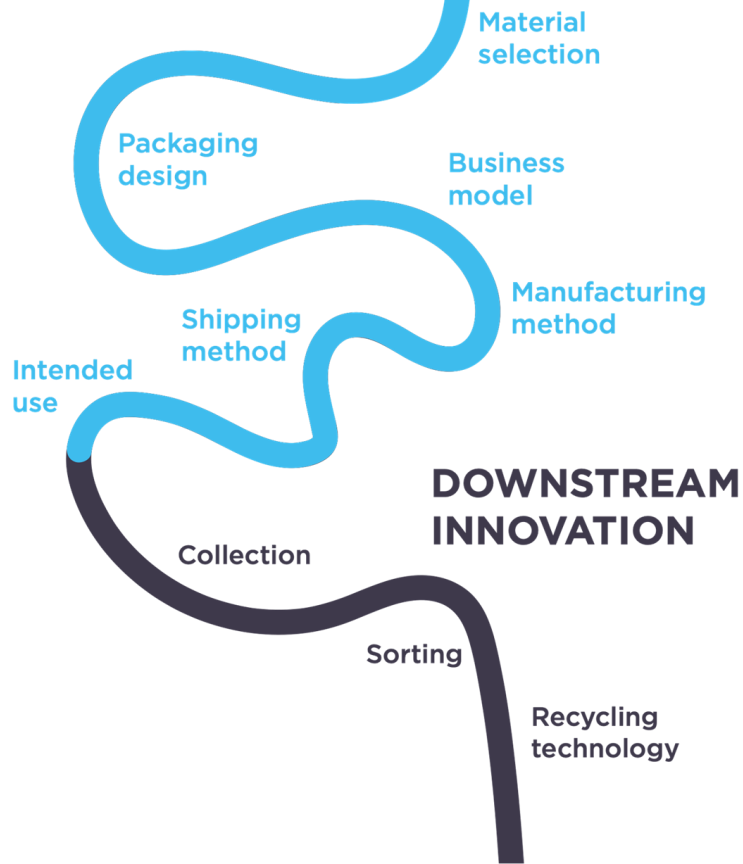
	Adopted (5)	Proposed (7)	Planned (11)
Regulatory (14)		<ol style="list-style-type: none"> 1. Sustainable products initiative (2022) 2. Proposal for an EU Batteries Regulation (2020) 3. Directive on radio equipment (2021) 4. Proposal for a revision of the Industrial Emissions Directive (IED) (2022) 5. Revised Regulation on Waste Shipments (2021) 6. Revision of the Persistent Organic Pollutants Regulation (2021) 7. Proposal for a revised Construction Products Regulation (2022) 	<ol style="list-style-type: none"> 1. Sustainable consumption of goods – promoting repair and reuse (2022) 2. Revision of the Packaging and Packaging Waste Directive (2022) 3. Revision of Directive 2000/53/EC on end-of-life vehicles (2022) 4. EU-wide end-of-waste and by-product criteria for plastics and textiles (2024) 5. Revision of EU Waste Framework Directive (2023) 6. Review: Restriction of the use of hazardous substances in electronics (2022) 7. Proposal for a Microplastics Regulation (2022)
Strategic/over-arching (5)	<ol style="list-style-type: none"> 1. EU Strategy for sustainable and circular textiles (2022) 2. EU Industrial Strategy (2020) 3. Chemicals strategy for sustainability (2020) 		<ol style="list-style-type: none"> 1. Strategy for a Sustainable Built Environment (2023) 2. Circular economy – revision of the monitoring framework (2022)
Voluntary/not yet clear (4)	<ol style="list-style-type: none"> 1. Global Alliance on Circular Economy and Resource Efficiency (GACERE) (2021) 2. New Guidelines on State aid for climate, environmental protection and energy (CEEAG) (2022) 		<ol style="list-style-type: none"> 1. CircLean Initiative (2021) 2. Policy Framework on biobased, biodegradable and compostable plastics (2022)

Moving up the waste hierarchy

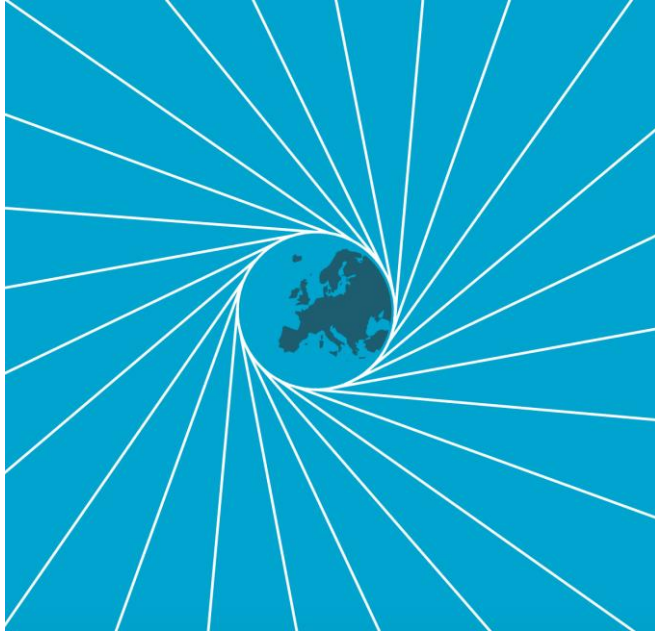
*“Recycling and recovery continue to receive significant attention in EU circular economy initiatives. However, an increasing number of initiatives are placing **more importance on actions higher up the waste hierarchy, namely reducing and reusing products.** Nevertheless, there is **a lack of concerted measures targeting refusing and rethinking our products,** thereby limiting the potential for absolute reduction of resource consumption in the EU.”*

(IEEP, 2022)

UPSTREAM INNOVATION



From voluntary to mandatory



*“The nature of the initiatives arising from the Circular Economy Action Plan and the European Green Deal seems to indicate that the Commission **increasingly recognises the need to use legally binding measures** to strengthen the transition to circular economy in the EU.”*

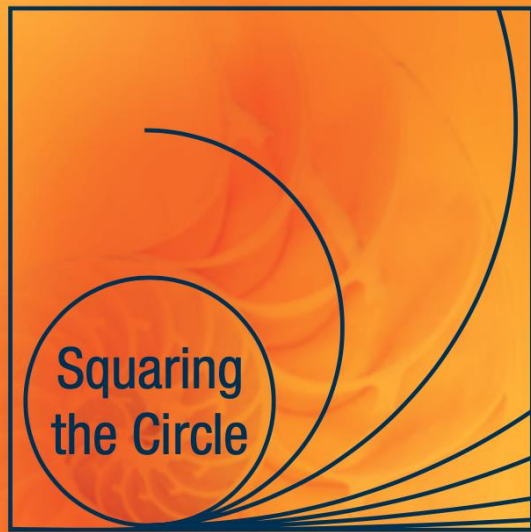
(IEEP, 2022)

A Member-State perspective - *the Netherlands*

*“It is important that government creates the right market conditions (...). **At the moment, what we’re seeing is that public authorities mainly respond to what industry initiates, without truly shaping the conditions for circular business models** - with packaging as a notable exception.”*

(PBL Circular Economy Reporting, 2023)





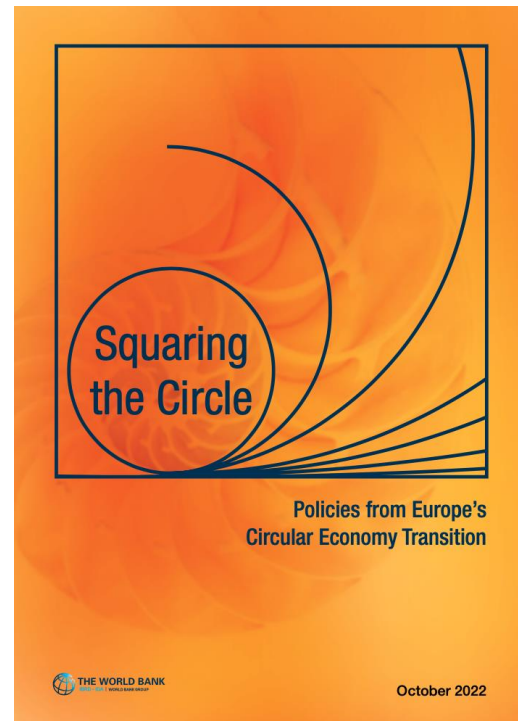
Policies from Europe's
Circular Economy Transition

“Current EU policy pathways are not sufficient to achieve significant reductions in primary material use.”

EU CE policy-making - an outlook by the World Bank

- “The CE calls for **a new reform agenda**. Promoting CBMs without dismantling the linear economy and the policies supporting it is inefficient and insufficient.”
- “Leveraging **material taxes to reduce labour taxes** has significant positive labour market and growth impacts.”

(World Bank, 2022)



0,19%

In 2019, the 27 EU countries raised roughly €5.6 trillion in tax revenues.

52% of those were labour taxes (personal income tax, payroll, social security contribution taxes).

Conversely, **taxes on pollution and resources generated about €10 million - 0.19% of total tax revenues and 0.08 percent of the total EU GDP.**

(World Bank 2022)

Five universal circular economy policy goals

GOAL 5
COLLABORATE FOR
SYSTEM CHANGE

GOAL 4
INVEST IN INNOVATION,
INFRASTRUCTURE,
AND SKILLS

GOAL 1
STIMULATE DESIGN FOR
THE CIRCULAR ECONOMY

GOAL 2
MANAGE RESOURCES
TO PRESERVE VALUE

GOAL 3
MAKE THE
ECONOMICS WORK





CIRCULAR ECONOMY POLICY GOAL 3

**Make the economics
work**

A lack of transparency on externalities acts as a barrier to the transition to a circular economy.



CIRCULAR ECONOMY POLICY GOAL 3

Make the economics work:

Creating the broader economic conditions needed to scale circular outcomes, and that support the resource loops enabled by Goals 1 & 2.



Example policy measures:

- **Aligning taxation** with circular economy outcomes
- Reforming **subsidies** to shape the transition
- Attaching conditions to **state aid and government funds**
- Implementing **labour market policies** to support the transition
- Incorporating circular economy principles into **trade policies**
- Using **public procurement** to grow new markets
- Adapting **accounting rules**
- ...

Moving forward



Rethink existing legislation

For example:

Improve legal clarity on products/waste status, and on how to label products that have been remade from used ones.



Formulate new policies

For example:

Harmonise EPR eco-modulation with ecodesign criteria.



Track progress

For example:

Align reporting requirements to build better insights in textile material flows

The Commission's 2030 Vision for Textiles



All textile products placed on the EU market are:

- durable, repairable and recyclable
- to a great extent made of recycled fibres
- free of hazardous substances
- produced respecting social rights



"Fast fashion is out of fashion" – consumers benefit longer from **high quality textiles**



Profitable **re-use and repair services** are widely available



In a **competitive, resilient and innovative textile sector** producers take responsibility for their products along the value chain



Circular rather than throw-away clothes have become the norm, with sufficient capacities for recycling and minimal incineration and landfilling



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