“Make the economics work”
Policy goals for circular business models

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CIRCULAR BUSINESS MODELS CAN

DECREASE THE IMPACT OF THE FASHION INDUSTRY

BY INCREASING CLOTHING USE

Rental, resale, repair, remaking could represent 23% of the global fashion market by 2030.

That’s a $700 BILLION opportunity.

CIRCULAR BUSINESS MODELS CAN HELP THE INDUSTRY MEET 1/3 OF ITS CLIMATE TARGETS

... 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.
<table>
<thead>
<tr>
<th>Adopted (5)</th>
<th>Proposed (7)</th>
<th>Planned (11)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic/over-arching (5)</strong></td>
<td>1. EU Strategy for sustainable and circular textiles (2022)</td>
<td>1. Strategy for a Sustainable Built Environment (2023)</td>
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<td></td>
<td>3. Chemicals strategy for sustainability (2020)</td>
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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)
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)
“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)
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 1**
Stimulate design for the circular economy

**GOAL 2**
Manage resources to preserve value

**GOAL 3**
Make the economics work

**GOAL 4**
Invest in innovation, infrastructure, and skills

**GOAL 5**
Collaborate for system change

Universal Circular Economy Policy Goals: enabling the transition to scale
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
Thank you