



Topic 1.2

Nascent regulatory framework for the circular economy



The circular economy

"Looking beyond the current "take, make and dispose" extractive industrial model, the circular economy is restorative and regenerative by design. Relying on system-wide innovation, it aims to redefine products and services to design waste out, while minimising negative impacts. Underpinned by a transition to renewable energy sources, the circular model builds economic, natural and social capital."

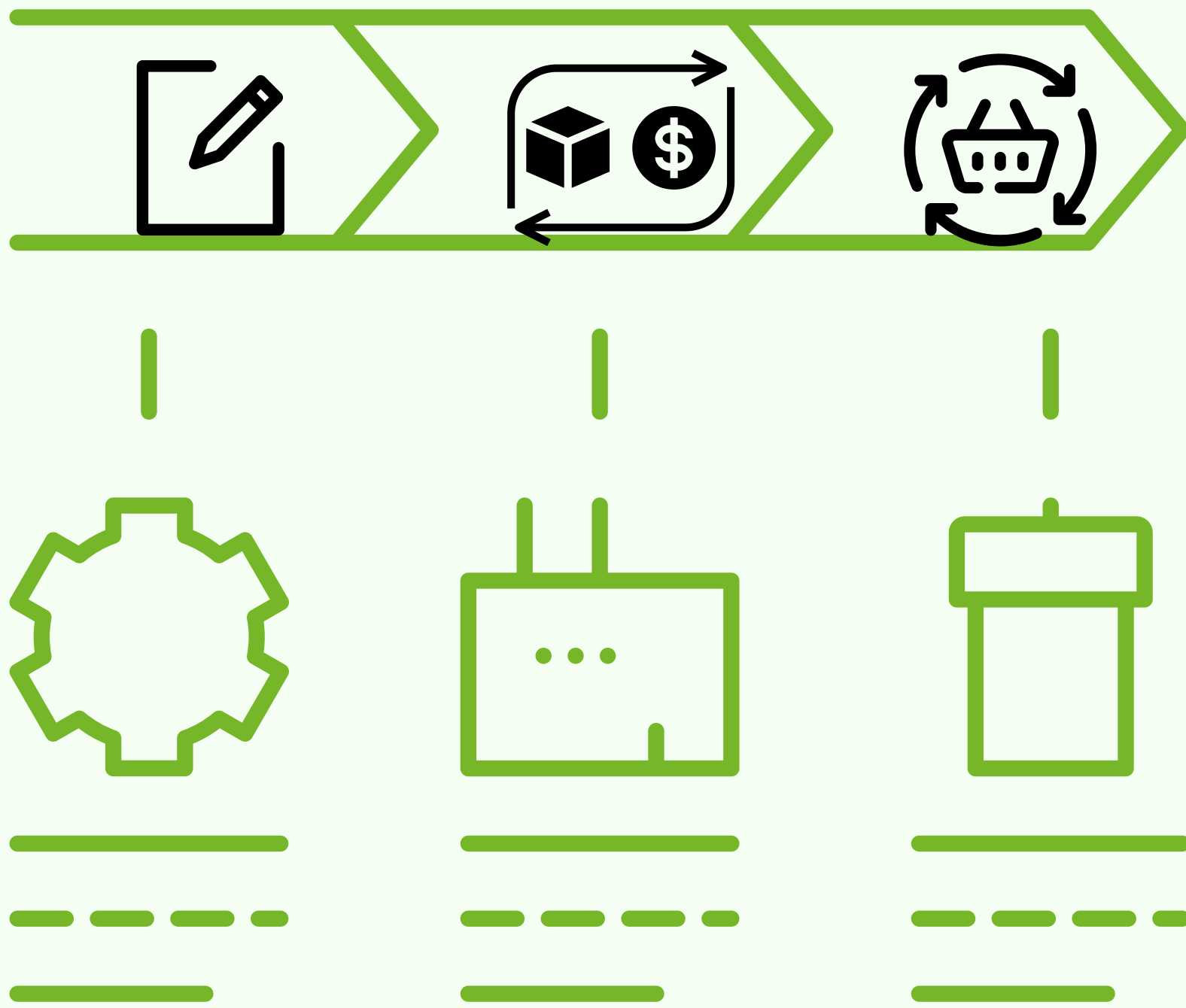
Source: <https://www.ellenmacarthurfoundation.org/circular-economy>



TED TALK:
<https://www.youtube.com/watch?v=oolxHVXgLbc>



This is a journey towards a regenerative ecosystem



Redesign of a regulatory framework is essential to provide businesses and consumers sustained advantage when embracing circular practices.

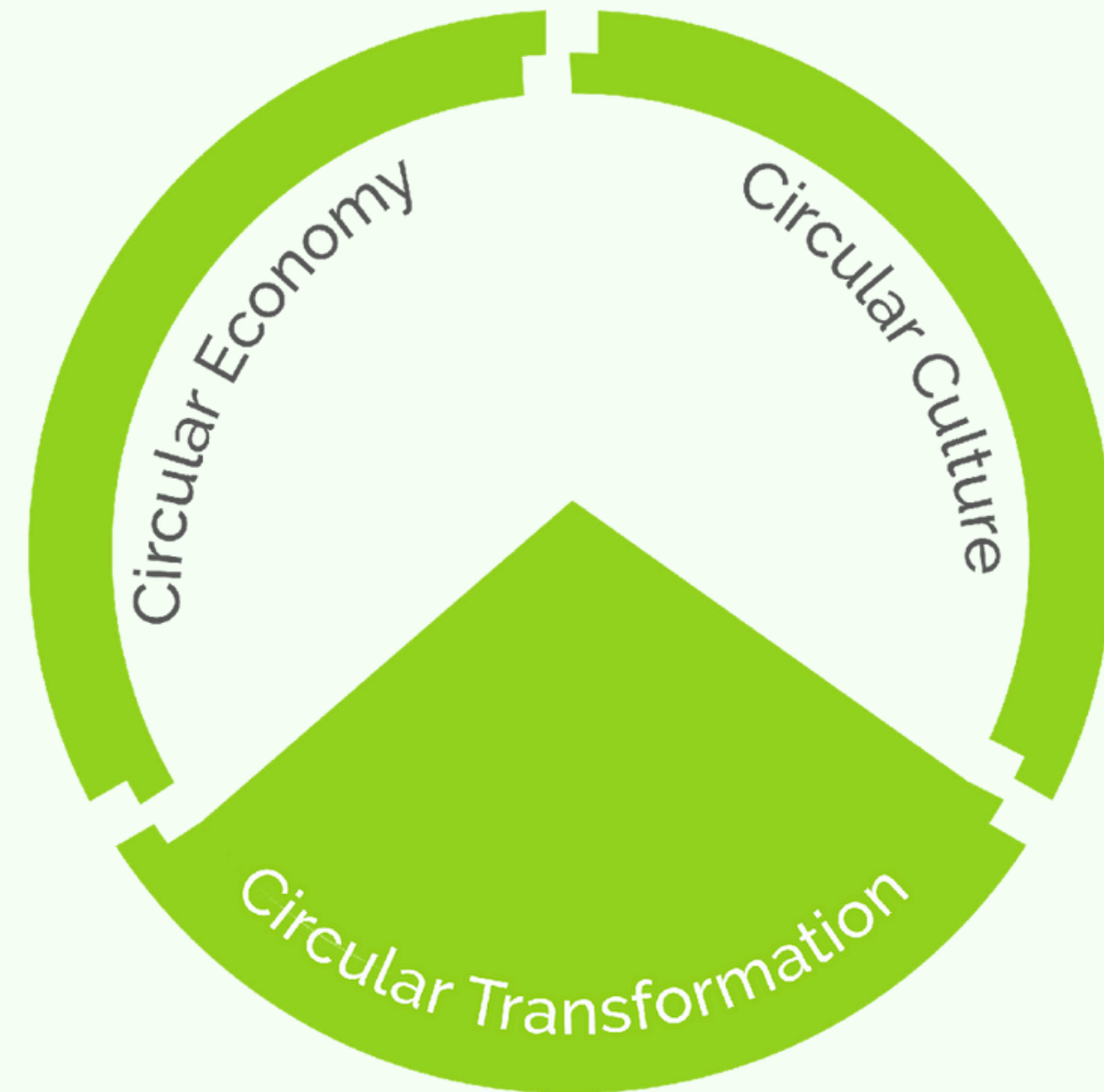


Going circular is an evolutionary process

Multi-level transformation of the economy and its regulatory framework;

Impacts the ways we do business and impacts the society as a whole, its values and culture;

Leading to new civilisational norms.



The Circular Triangle depicting the three dimensions of the circular transition



Fundamental assumptions change



Limited (bound) rationality	Transgenerational rationality
Competition	Competence-based cooperation
Profitability as the ultimate goal of business	Resource efficiency and resource effectiveness as fundamental measures of success
Restoration of democracy back to humanity and respect for human rights	Recognition of the rights of the planet (natural environment)

GLOBAL	EU
Paris Agreement (COP 21) The Paris Agreement is a legally binding international treaty on climate change.	EU Green Deal
	CE Action Plan (2020)
	Fit for 55+
	Next Generation EU (The Recovery Plan)
	EU Taxonomy



Paris Agreement (COP 21)

“The increase in the global average temperature to well below 2°C above pre-industrial levels” and pursue efforts “to limit the temperature increase to 1.5°C above pre-industrial levels.”

*The UN's Intergovernmental Panel on Climate Change indicates that crossing the 1.5°C threshold risks unleashing far more severe climate change impacts, including more frequent and severe droughts, heatwaves and rainfall.
To limit global warming to 1.5°C, greenhouse gas emissions must peak before 2025 at the latest and decline 43% by 2030.*

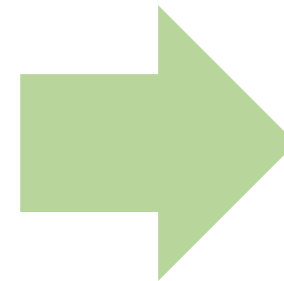


The Paris Agreement is **a landmark** in the multilateral climate change process because, for the first time, a binding agreement brings all nations together to combat climate change and adapt to its effects.



European Green Deal

- **No net emissions of greenhouse gases by 2050**
- **Economic growth is decoupled from resource use**
- **No person and no place is left behind**



HIGHLIGHTS

Carbon (climate) neutrality by 2050

R&D, innovation

Sustainable mobility

Resource and energy efficiency, transition to sustainable energy sources

Financial framework for financing the green transition

A fair transition



CE Action Plan- A new industrial and innovation mindset

35 activities aiming at:

- Circular design
- Strengthening consumer choice
- Enforcement of circular principles in public sector procurement
- Reducing waste
- European leadership in the field of sustainable and circular transition and increasing the competitiveness of the economy
- A fair transition at the level of cities, regions and countries





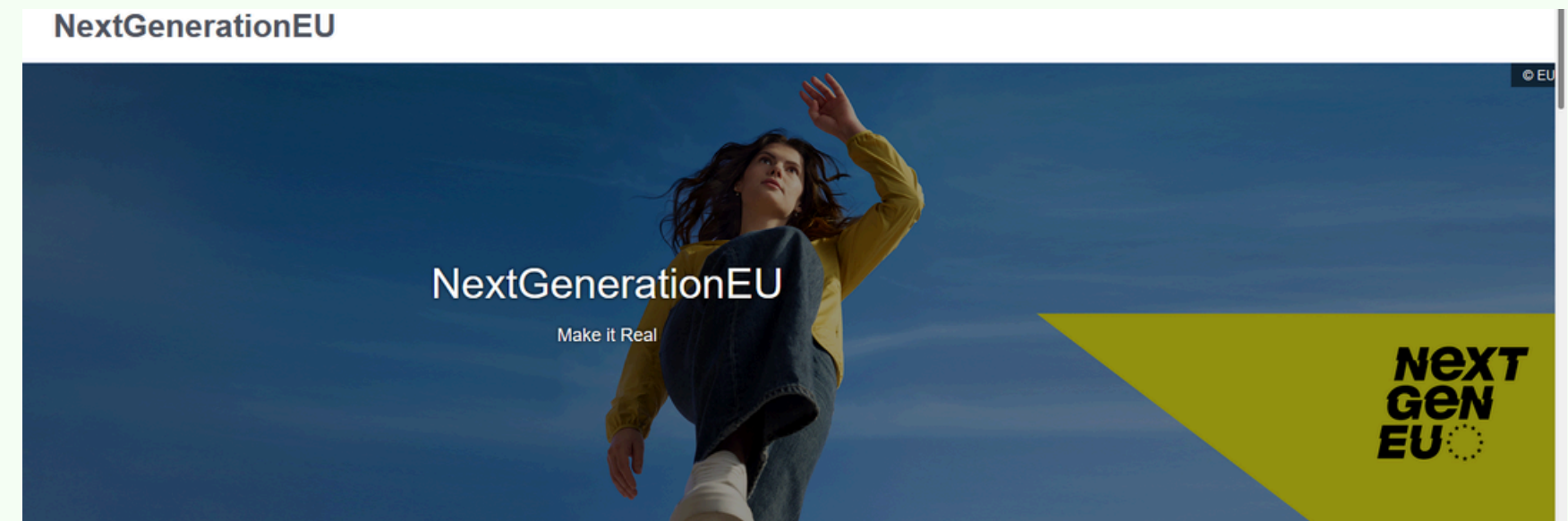
Fit for 55+

Reducing EU emissions by at least **55%** by 2030



Next Generation EU

*EU member states have agreed to invest more than €**806.9 billion** together to support greener, more digitalised and more robust European economy and society.*





EU Taxonomy

It establishes the framework for the EU taxonomy by setting out four overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable.



Innovation programmes (e. g.: Horizon Europe)



Horizon Europe

Research and innovation funding programme until 2027. How to get funding, programme structure, missions, European partnerships, news and events.

What is Horizon Europe?

Horizon Europe is the EU's key funding programme for research and innovation with a [budget of €95.5 billion](#) EN.

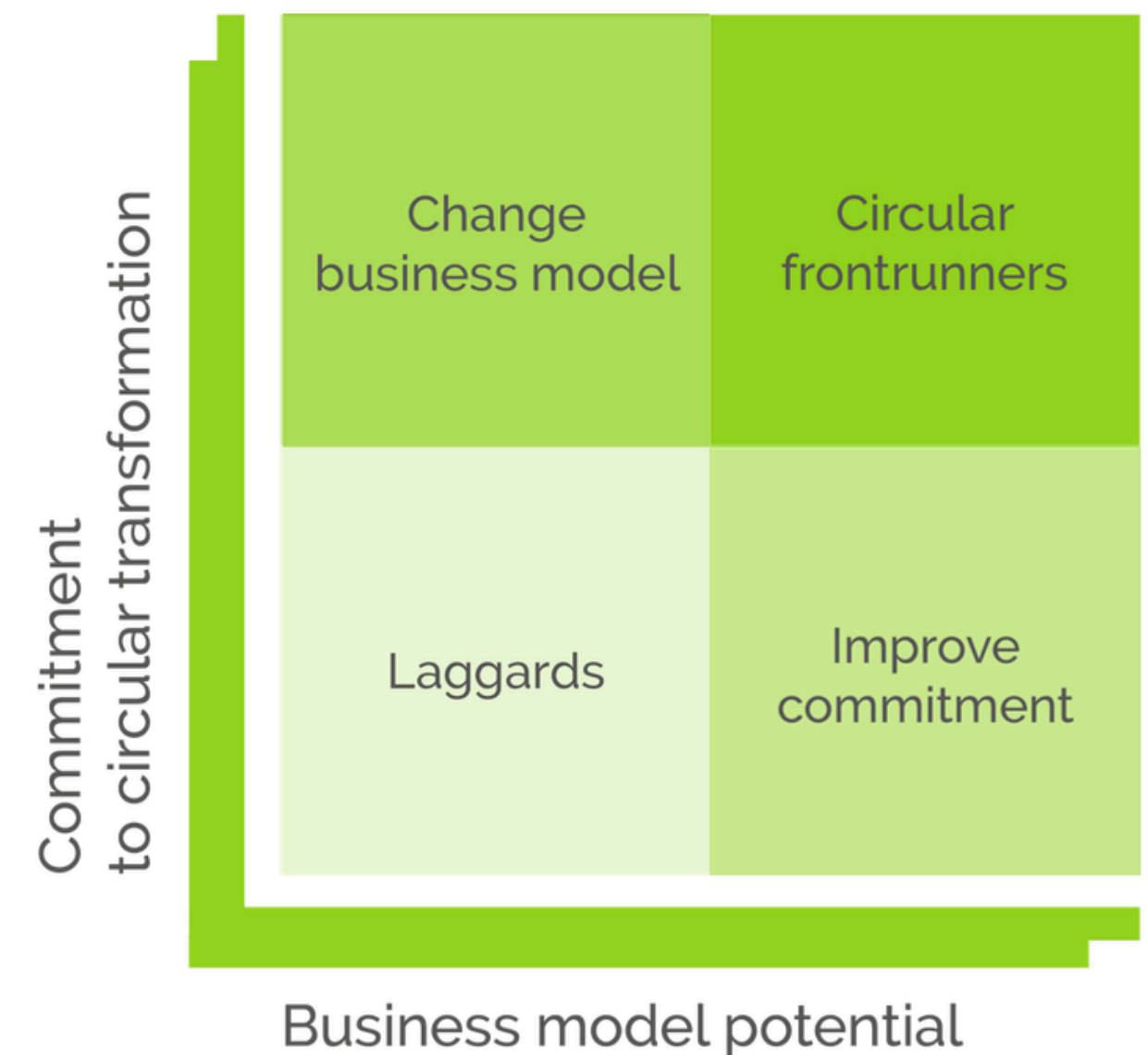


Challenges for sustainable financing

What is „sustainable“? EU Taxonomy, a solid basis for regulatory and policy decision-making as well as business-level innovation.

Taxonomy Regulation establishes six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems



*Circularity Assessment Score Circularity radar and CAS Matrix
Source. www.circularbusiness.academy*



“NO SIGNIFICANT HARM”

(Key principle of judgement)

Sustainable finance ensures sustainable growth

Based on this equation, the EU and international regulators focused on sustainable finance through:

- Stimulating green assets in the banks' books (lending side)
- Making funding for banks and bond issuers cheaper when they qualify as 'green issuers' (liabilities-borrowing side), avoiding greenwashing and enabling cheaper funding for eligible issuers



What more we can do to positively contribute to the transition to the circular economy?

Business models and value chains are key turning points in green financing and the green growth overall.

To do's:

Focus on business models

Focus on cross-sectorial value chain

Encourage and enable multiple measures of progress and sustainable / circular performance

Financing innovation





Understanding of linear and circular risks in decision-making and investing

Forward-looking context of circular business model typology

- Financing needs and adequate financing sources
- Its own peculiar risk profile



Circular risk	Linear risk
Shift of mind-set needed to see (used) products as valuable sets of modules and/or materials instead of waste.	Dependency on virgin resources (risk of supply chain disruption).
Required initial investment can cause deterioration in short-term margins.	Exposure to resource price volatility.
Balance of short-term margin versus long-term stability.	Increasing environmental legislation.
Market demand for the offered products: customers and companies are currently used to owning products.	Growing population and increasing financial wealth.
Dependency on supply chain collaboration.	Effects of climate change.
Unknown residual value of many products, due to small market of circular output companies (i.e. companies that upcycle, re-use, remanufacture or refurbish).	Demand for environmentally sound products.
Supply chain lock-in risk.	Businesses/products that become obsolete by holding onto old linear business practices (stranded assets).