

More prosperity, new jobs

Manifesto on Circular Economy Policy in the EU



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This is a joint manifesto from De Groene Zaak Sustainable Business Association, MVO Nederland and Circle Economy describing our view on Circular Economy Policy in the EU. The manifesto serves as our input from a frontrunners' business perspective for the renewed Circular Economy Package, expected to be retabled by the European Commission in late 2015. While we remain critical of scrapping the previous package, we welcome the efforts to strengthen it further in order to expedite the emergence of a true circular economy, meaning that circular business models become the norm rather than the exception.

Our three organisations together represent over 2300 companies from all sectors, including both multinationals and SMEs, striving for implementation of sustainable and circular business models. While our partners support this publication and provided extensive input, individual recommendations cannot be attributed to any single member or partner and we take full responsibility for the views expressed. The Manifesto is co-signed by EcoPreneur, Entrepreneure Vert, Green Alliance, GreenBudgetEurope, INDR, Institut de l'Economie Circulaire, Plan C and UnternehmensGrün. ACR+, The EEB, The Dutch Society for the Protection of Nature and Environment (Natuur & Milieu) and several businesses have provided us with supportive statements.

1. The value of a Circular Economy

De Groene Zaak, MVO Nederland and Circle Economy aim for a circular economy, i.e. an industrial system that is restorative or regenerative by intention and design through cascades of biomass and closed circuits of other materials. We endorse the vision of the Ellen MacArthur Foundation¹ of a circular economy (see Box Circular Economy). A circular economy consists of cascades biomass (biotic resources) and closed cycles of other (abiotic) resources. The latter means that abiotic resources are constantly reused in products and do not end up as waste in nature.

While acknowledging this vision, our ideas on the role of governments can accelerate and mainstream the circular economy are our own. For us, the vision of a circular economy concerns our future *economy*: our focus is on circular *business*. Circular business models often involve a different ownership relation of the products and raw materials, for example by using performance-based contracting instead of sale. One of the main motivations for creating a circular economy is economic scarcity. For many materials, supply uncertainty and the risk of unpredictable price fluctuations form increasing problems despite the presence of sufficient physical stocks. While mineral resources never run out completely, economically recoverable reserves will sooner or later become exhausted or subject to geopolitics. This leads to regional shortages to begin with – and Europe is a region with few mineral resources. Reducing our dependence on raw materials is needed for several reasons: price, supply, global CSR legislation and public image. A circular economy can save valuable resources, create jobs and strengthen our economy with business opportunities worth hundreds of billions of euros in the EU alone. In addition we attach great value to the capacity of a circular economy to reduce negative environmental impacts and the use of toxic substances. Fair trade and reducing social inequality constitute a starting point and precondition for a circular economy.

Circular Economy

We endorse the vision of the Ellen MacArthur Foundation of a circular economy the as "an industrial system that is restorative or regenerative by intention and design. It replaces the 'end-of-life' concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impair reuse, and aims for the elimination of waste through the superior design of materials, products, systems, and, within this, business models."¹ Building on the principles of cradle-to-cradle, all raw materials present in products are sustainably produced with respect to people and the environment. They are well defined in terms of substance, composition and origin, and suitable to be used as nutrients or reused in products. Biomass includes all the raw materials that are nutrients for nature. These include both 'biotic' raw materials derived from plants or animals, such as food and fertilizer, and biodegradable plastics that degrade quickly in nature. Compostable materials without harmful substances are first collected and composted before they can be considered as biomass. Finally, circular business models often involve a different ownership relation of the products and raw materials, for example by using performance-based contracting instead of sale.

We stress the importance of the circular economy both for economic growth, innovation and jobs as well as for a strong reduction of the ecological footprint and carbon emissions. It holds the promise of 2 million new jobs, estimated net savings EU-wide to businesses up to 600 billions of euros², and hundreds of millions of tons of avoided waste. Through the concept of the circular economy, Europe becomes less dependent on raw materials and energy from outside the continent. By focusing on the circular economy with the ambition for the EU to become the world's leading example of a zero waste economy, both society as a whole as well as forward looking business will benefit from EU policy.

¹ www.ellenmacarthurfoundation.org

² European Commission, The Circular Economy: Connecting, creating and conserving value, 2015

Throughout the world more and more companies have started to develop and apply circular business models. However, the transition towards a circular economy is far from happening by itself. It requires a leading role from the EU and member state governments. Many circular businesses are currently succeeding in spite of, rather than because of, the regulatory framework³. The main

Job Creation

A growing number of studies indicate that a circular economy presents highly interesting opportunities for value creation and economic growth as well as job creation possibilities for the EU. We mention the following job creation potential estimates for a transition to a circular economy from recent studies:

- 1 - 2 million additional jobs in 2030 (European Commission, 2014, based on calculations from Cambridge Econometrics and BIO Intelligence Service)
- 1.4 - 2.8 million jobs in the EU by 2020, based on the outcome that “every percentage point reduction in resource use leads to 100,000– 200,000 new jobs” (Di Pietrantonio, DG EMPL 2012)
- Over 1 million new jobs for the EU (Dervojeda, et al., 2014)
- Over 1 million new jobs for remanufacturing globally and recycling in Europe (WEF, 2014)
- Over 200,000 gross jobs and reduced unemployment by about 54,000 for the UK, by 2030. More extensive expansion of circular economy activities could more than double these figures (WRAP and the Green Alliance, 2015)
- 54,000 jobs for the Netherlands (TNO, 2013)
- Around 500,000 jobs for the US remanufacturing industry for products ranging from automotive, electrical and electronic equipment to furniture and construction equipment (WEF, 2014)

MVO Nederland is looking for cooperation to get a better insight in the labour market of a transition to a circular economy and aim to deepen their insights during 2015.

obstacles for doing business as circular recently identified are linear lock-ins, material complexity and geographical dispersion of chains.⁴ The bottlenecks that companies encounter have been investigated in more detail by the RACE coalition in the Netherlands⁵ (See Box RACE Coalition). For the problems that our partner companies experience first-hand see the Box Bottlenecks.

Our recommendations focus on how governments can create conditions in which circular *business* models will thrive rather than struggle uphill. If they take off, our businesses will start solving the social and environmental problems of our time within an improved government framework.

RACE Coalition

The Dutch Rutte-II Cabinet “is striving for a circular economy and intends to stimulate the (European) market for renewable raw materials and reuse of scarce materials.” However, this is not a matter for the government alone. In the RACE Coalition, the societal organisations Circle Economy, CLICKNL|DESIGN, Dutch Sustainable Business Association De Groene Zaak, Het Groene Brein, MVO Nederland and the Netherlands Enterprise Agency RVO.nl are working on seven themes to accelerate circular business in Dutch industry. Their common aim is that the Netherlands becomes a global leader in the field of circular economy. Each theme has a primary leader and is supported by organisations such as TNO and Acceleratio. RACE is supported by the Ministry of Infrastructure and the Environment.

³ Aldersgate Group, Resource Efficient Business Models, 2015

⁴ By a.o. TNO, the Ellen MacArthur Foundation and the European Commission

⁵ Barriers & Drivers towards a Circular Economy. Literature Review, Acceleratio, 2015

2. Policy recommendations for the European Commission

Our goal is that Europe becomes "Hotspot" Circular Economy no.1 in the world. To help us realise this goal, we support the formulation and implementation of a strong European Circular Economy Package as soon as possible. We have the following policy recommendations for the European Commission:

A. Leadership: strong government policies to mainstream circular business

Strong government policies are key to benefit from the circular economy:

Strong government policies to mainstream circular business are crucial to reap the benefits of a Circular Economy. This requires leadership from the European Commission and the member states. A series of steps has been formulated to overcome the bottlenecks encountered by companies doing circular business. Several initiatives have been launched, such as the Circular Economy 100 Platform of the Ellen MacArthur Foundation and Project Mainstream of the Ellen MacArthur Foundation and the World Economic Forum (WEF). What these initiatives show is that where companies are currently the driving force of the transition to a circular economy, governments have to play a crucial role to support their efforts and scale up circular business from a niche to economic mainstream.

We therefore ask for strong government support for today's frontrunners to ensure that they become tomorrow's standard. A successful approach to system reform of the current model for production and consumption that has dominated over the past 250 years requires an integrated package of government measures providing systemic incentives that encourage companies to implement circular business models. To maximise the potential for long-term competitiveness and the resilience of EU businesses requires leadership from the European Commission as well as member states governments to support the transition to more resource secure business models.

Extend the existing targets to cover the full circle:

No ambition without targets. We recommend keeping the original binding targets for recycling and the landfilling ban, and extend them to binding targets along the full circle, including maintenance, repair, reuse, refurbishment and cascading. We disagree with statements from a European Commission official that the role of targets needs to be revisited for the new package. Indeed, the original waste packet did not contain the necessary instruments to provide incentives for companies to achieve the recycling targets. This shortcoming provides an enormous opportunity for creating a more ambitious proposal, by adding economic and regulatory incentives (see further down) to complement the targets. The incentives will make the targets achievable for all member states. Member states lagging behind in infrastructure can be given more time to achieve the targets. In this way infringements will not be needed unless a member state takes insufficient action. The current mismatch between supply and demand of high quality recycled materials can be decreased by implementing standards and by investing in separation technologies. The increased volume of recycled materials is expected to lead to maturation of the European recycling market.

Make sure you steer the EU economy towards circularity:

Identifying an adequate set of economic indicators ensures that the EU and governments start steering towards a circular economy rather than away from it. We recommend using The Raw Material Consumption (RMC) *per capita* as a key indicator for resource productivity, while monitoring

other indicators for e.g. biodiversity or the *positive* impact of economic activities⁶. The gross domestic product (GDP) is an inadequate linear measure of the economy. It can grow with decreasing circularity (e.g. more waste production) and, conversely, drop with decreasing use of raw materials. As long as the value of closing chains is not included in the GDP through market mechanisms, the government will against all odds continue to steer in the direction of a linear economy. This will slow down efforts from circular businesses.

We see two ways to overcome this. First, governments could introduce market mechanisms such as extended producer responsibility (EPR) schemes that add the value of closing the chains to the GDP.. Second, governments could base their policies on a new economic indicator will actively promote circular business. An example of a suitable economic indicator is the Genuine Progress Indicator (see Box Beyond GDP).

Beyond GDP

That the gross national product (GNP) is inadequate as a measure of our prosperity is well known. One of the developed alternatives that is a much better measure of our economy is the Genuine Progress Indicator (GPI). The GPI is often used by governments and non-governmental organizations around the world. It is a variant of the Index of Sustainable Economic Welfare (ISEW), which was first proposed in 1989.

Be a launching customer:

To accelerate the transition towards a circular economy, we ask for widespread implementation of green public procurement by the European Commission and national governments, provinces and municipalities as launching customer. For us, this is the most important measure to boost circular business. It accounts for almost 60 billion euros a year in spending in the Netherlands alone, some 19% of the EU GDP and an enormous market.

Bottlenecks

The proposed government measures reflect the following specific issues that our partner companies face in doing circular business:

- Lack of distinctive market advantage for developed circular products, especially in public procurement, including through a focus on the short term;
- The costs of sustainable certification and integrated reporting, which translate into a competitive disadvantage through the product price;
- The lack of an infrastructure for companies to ensure the transparency necessary for circular business, in particular with regard to the raw materials used in a product (type, quantity, operation, opportunities for further processing, etc.);
- A mismatch in demand and supply of quality reusable raw materials, products and components;
- The lack of standardization and normalization of recyclable plastics, end-of-waste protocols for companies, and national policy for waste collection for out-of-home channels;
- Lack of research, development and knowledge dissemination of about circular business models and the circular economy;
- International supply chains full of players with a linear agenda.

⁶ Panel discussion contribution from Jocelyn Blériot, Executive Officer - Communications & Policy Lead Ellen MacArthur Foundation, 2015 European Circular Economy Conference, March 5, 2015

Green public procurement involves more than defining criteria: The policy should also be secured by the purchasing departments, which is currently lacking. Circular frontrunners in countries with green public procurement policies in place experience that in practice, governments continue to purchase on lowest price. We advocate control on actual achievement of these goals and short-term green and circular procurement training of government procurement departments. Within the Dutch Green Deal Circular Public Procurement, we are working towards an improved mechanism based on criteria agreed on by business, that challenges companies to deliver sustainable and circular products. This mechanism should also cover the residue materials that are owned by the government after use by governments or citizens. An important precondition is that the tool is also manageable for SMEs and does not increase administrative burden.

Invest in circular innovation beyond traditional measures:

An ambitious circular economy policy in our view means that the European Commission and governments take action beyond their traditional approach. Mainstreaming the circular economy requires policies supporting circular innovation within companies and full-cycle supply chains. Traditional innovation policies however are based on a series of myths, such as that innovation can be unleashed by removing some barriers in existing regulation. It cannot. While removing barriers can be useful, it will not do the job by far. As Mariana Mazzucato points out in her book *The Entrepreneurial State*, the biggest innovator in history turns out to be the government. Without a US government, the iPhone, the internet and many other disruptive innovations would not exist today.⁷ To benefit from the circular economy requires governments to, among others, actively improve the market conditions for circular businesses by implementing circular public procurement and providing economic incentives. This implies a shift from removing little obstacles in existing regulation to a systemic approach and what economists call "mechanism design". It also means a shift from a focus on technology as a driver to technology as an enabler, and from detailed environmental legislation to a framework with economic incentives that creates conditions for innovation.

A central element of this new approach would be to implement a *flexible competition policy* that creates and fosters a framework for cooperative innovation and co-creation. Achieving a circular economy requires guts, perseverance, room for mistakes, forgiveness (away from the blame culture) and chain cooperation. This requires new social context that fosters cooperation and cultural change in the business sector as well as the government. Amongst others, this new policy would allow for cooperation and agreements between companies concerning jointly developed circular products and services that are otherwise forbidden.

As part of this approach, we recommend to initiate a *Circular Frontrunners Programme* for research, development and demonstration aimed at front running companies in all sectors, including producers, designers, waste contractors, repair industry and thrift shops. The goal of this programme should be to work together on facilitating circular business. In our experience, many of the obstacles that our partners encounter are independent of sector and company size. In addition, we would support *sectoral and cross-sectoral* programmes or Green Deals to tackle more specific issues and mainstream circular business, targeting chains, cities, regional clusters / provinces and cross-sector partnerships as the primary approaches.

We also recommend founding a *European Institute for Circular Economy*. Building on existing national examples such as the German Rohstoff Agentur (DERA) and the French Institute for Circular Economy, this European institute could e.g. step up economic research on the circular economy including mechanism design, new policy development, circular business models, frontrunner support, transition paths and sectoral studies.

We are not asking the EU or governments to heavily subsidise the circular economy. Instead we ask

⁷ Mazzucato 2013, *The Entrepreneurial State: debunking public vs. private sector myths*

governments to be the risk-taker and condition-creator that nobody else in the market is willing (or able) to be. To enable these new approaches, we recommend strengthening the cooperation between the various Cabinets and Directorates General involved, and welcome the recent internal coordination at both the political and inter-service level within the European Commission.

Implement EU-side measures and harmonisation where possible:

While acknowledging the political reality and importance of subsidiarity, we ask the European Commission to try and prevent the emergence of a new patchwork of national and regional measures leading to additional red tape for companies. This could be done by implementing measures at the EU level where possible, such as an Ecodesign Directive. If not, the EU could harmonise existing schemes or at least provide guidelines for member states, e.g. for public circular procurement and extended producer responsibility (EPR). Additionally, we recommend the EU to initiate and support feasibility studies and pilot projects for the introduction of concrete incentives for circular business models and green economic growth at EU level and in Member States.

Ask the Member States for National Action Plans for circular economy:

National policy of the EU Member States is essential to boost the circular economy in Europe. Many of the economic incentives such as tax, deposit and waste management are regulated at national, regional or municipal level. Ask the Member States therefore to come forward with national action plans and link these preferably to the Country Specific Recommendations. These could include the policy areas of green public procurement, tax reform, integrated reporting and the integration of circular economy in education and training.

Further substantiate the circular economy benefits:

The circular economy will create new jobs and add value. We recommend further substantiating the number of additional jobs in 2030 and financial benefits. While we acknowledge the potential of circular economy (see Box Job creation), others are currently questioning this. In this respect we welcome the interest DG GROW is taking in circular economy.

Find clever solutions for the 'losers' of the circular economy:

Front-running business and the EU economy as a whole will benefit and become more resilient from effective circular economy policies. However, there will also be losers, such as lagging manufacturers. We believe this prospect explains the resistance from established business associations to circular economy policies beyond stimulating cooperation and traditional innovation. To avoid half-hearted policies and investments in suboptimal solutions, we recommend developing smart transition paths with traditional, resource intensive industries. With measures based on the obstacles they face and incentives they respond to.

Define what circular products and services are:

Finally, we recommend developing a concise definition of circular products and services, so that they can be targeted by economic incentives (see below). Examples of products that are often considered circular are products-as-a-service (e.g. leasing carpet or printers), second-life and refurbished products, products made from recycled materials (e.g. paper, drink cartons, recycled plastics, buildings), cradle-to-cradle products or biomass (elephant grass). Circular services include maintenance, repair, renovation, reuse, refurbishing, remanufacturing, take back systems for products and components, sharing platforms for citizens and companies (vehicles, equipment, services, personnel), waste collection and separation and recycling. We advise to also take processes along the value chain in consideration and to establish a connection with the use of circular business models.⁸

⁸ See *Circular Business Models* (IMSA, 2015) and *Circular advantage* (Accenture, 2014)

Maintain REACH and discourage incineration:

While we acknowledge the complications the REACH legislation creates for recycling, its objective is to prevent substances of very high concern from being used in products on the EU market. The sooner companies stop using them, the sooner we can create a circular economy, which consists of clean circles. We furthermore recommend introducing stringent criteria for incineration of waste that exclude “energy recovery” from household waste or biomass that can still be used as secondary resources.

The following recommendations will expand on what we mean by leadership. In view of the importance of the circular economy for EU competitiveness, jobs, resource efficiency and the environment, we ask of the government to implement the following elements that would ensure that the new package is indeed more ambitious.

B. Introduce economic incentives

Create framework conditions using economic incentives for companies to implement circular business models, as well as for users to e.g. purchase circular products and services. This involves an integrated package of systemic incentives for companies to promote circular behaviour throughout the chain: design, materials choice and sourcing, marketing, maintenance, repair, reuse, sharing and refurbishment of products, remanufacturing of parts, collection of waste products, increasing the share of cascaded biomass and recycled raw materials in the products, and extraction and composting of biomass. While these activities are formally included in the European Waste Hierarchy through prevention and preparation for reuse, we recommend taking them into account into more detail as to stimulate them through economic incentives.⁹

Without these incentives the goals are unattainable. They include taxes, fees, premiums, price incentives targeted at consumers (e.g. a removal fees and deposit) and innovation grants. Together they serve to improve the basic “rules of the game” of our economy by “mechanism design”. Such a new framework, with guarantees for stability over a prolonged period of time, will greatly accelerate and increase investments in circular business and infrastructure. Points of action lie at both national and EU level as well as local, regional, per chain and cross-sectoral. An important aspect of these incentives is that they can be devised in such a way that “leakage” of industrial activities outside the EU is avoided.

Fiscal incentives for circular business:

In contrast to the European Commission, we see an important role for economy-wide taxes and for differentiated VAT rates. Adequate use of VAT can bolster the circular economy by transferring clear prices signals to consumers and throughout the supply chains. Split incentives between chain partners are avoided by covering circular business activities along the full circle. Materials-specific fiscal tariffs may be used where needed.

We recommend the EU provides guidance and encouragement to all member states for:

- A *tax shift* from labour to raw materials, as advocated by Ex'tax and the “Big Four” (see Box Ex'Tax). As part of this, to increase the tax on primary raw materials while reducing the tax on recycled materials and labour;
- A *zero VAT rate for circular products and services* (to be defined and certified);
- *Tax benefits* for companies switching to *integrated reporting* (see below).

To make this possible, we ask the European Commission to *introduce a circularity criterion for low*

⁹ See also the “Circularity Ladder” in “[Governments Going Circular](#)”, page 8, De Groene Zaak, 2015

VAT rate. The EU legal framework (Directive 2006/112/EC) should be adjusted so that circularity becomes a criterion for assigning a product or service in a low VAT rate. This criterion can follow the definition of circular products and services to be developed, as mentioned before. A intermediate solution before such a definition has been agreed on could be to start with a limited list of goods and services whose circularity has been proven conclusively, such as recycling, maintenance and repair. Based on this criterion, the VAT rate may be differentiated. Such differentiation is greatest if the EU legal framework allows a 0-rate based on the circularity criterion.

Finally, while manual dismantling may not be economically viable for all products even with zero VAT, a zero VAT for circular products and services would definitely give a strong boost to mainstreaming circular products and business models.

VAT is a powerful economic instrument. Leakage can be avoided. By dismissing the use of VAT beforehand, the European Commission would rip itself of an important tool for achieving a full-circle approach.

Ex'tax: increasing tax on resources and decreasing tax on labour

Together with the Big Four audit firms Deloitte, EY, KPMG Meijburg and PwC, the Ex'tax Project¹⁰ proposes a fundamental tax shift from labour to natural resources to realise a circular inclusive economy. This shift will make circular business models more successful, boost employment and provide incentives to use natural resources more efficiently. By increasing the tax on resources, the price will go up and demand will go down. At the same time, lowering the tax on labour will make labour-intensive business models more viable, which increases employment.

The proposed tax shift can only be realised if international or regional institutions, such as the EU, develop a long-term, fundamental reform. It is then up to national governments to make the specific tax-rules according to the Ex'tax principles. The Ex'tax project has developed a toolkit in order to assess how exactly the shift could take place. In a case study of the Netherlands, the project showed that 33.7 billion euros in tax revenues can be deducted from labour and replaced by VAT and taxes on fossil fuels, water, air pollution, energy and waste. This is expected to boost employment rates and lower carbon emissions and pollution. This tax shift will also enable circular business models because the cost of labour intensive practices like R&D, reuse, repair, refurbishment, maintenance and recycling will be substantially reduced.

At the moment Ex'tax is merely a proposition presented to the European and national governments. In November 2014, Ex'tax published a major study together with the Big Four. This report builds on other research from over 20 years of arguing for a similar tax shift. Although the shift has not yet been implemented, the support growing fast globally. Ex'tax contributes by building knowledge on the effects and possibilities of the tax shift. The research team recognises the need to not only focus on the opportunities for governments, but also the impact on industries, the labour market and NGOs, as a tax shift will affect all stakeholders in society.

¹⁰ www.ex-tax.com

¹¹ See also <http://www.govsgocircular.com/cases/extending-producer-responsibility-with-precycling-premiums/>

¹² <http://blindspot.org.uk/making-circular-economy-scale/>

¹³ http://blindspot.org.uk/wp-content/uploads/2013/07/NL_EPRforCE.pdf

Precycling Premium

The concept of a 'preycling premium'¹¹ was developed by BlindSpot Think Tank¹² as a mandatory, market-based premium for producers and importers. This would extend the concept of extended producer responsibility (EPR) to all product types. The height of the premium depends on the risk of the product leading to waste in ecosystems. Precycling means preventing waste in ecosystems by circular behaviour, such as better product design and infrastructure for reuse and recycling. The precycling premium is not ready for immediate implementation on an EU-wide scale. We recommend a feasibility study and pilots to develop it further. In parallel, precycling can provide a perspective for the further development of new and existing EPR schemes to cover more and more products and markets. The Dutch Ministry for Infrastructure and the Environment recently organised a workshop on the Precycling Premium and EPR¹³ that has stirred the interest in these concepts. A Dutch pilot for a precycling premium was one of the policy options discussed.

Extended Producer Responsibility schemes:

We recommend expansion, improvement and harmonisation of existing extended producer responsibility (EPR) schemes in the direction of waste avoidance and prevention. These schemes reward producers of circular products with lower costs, while providing new jobs and considerable funds for investing in improved management of the residual waste. This adds the value of closing chains to the GDP. A recent successful example of a Producer Responsibility Organisation is the South African REDISA¹⁴. The EU could provide members states with a toolbox for implementing state-of-the-art EPR schemes. It could also initiate studies and pilots for EU-wide approaches mainstreaming the circular economy with a one-size-fits all approach that leaves sufficient room for tailor-made implementation by the member states. The concept of precycling (see Box Precycling Premium) could provide a circular perspective for further development of EPR. Finally, note that existing EPR schemes are devised to avoid leakage of industrial activities outside the EU, e.g. because no fee has to be paid for products to be sold to markets outside the EU, while importers have to pay the same fee as producers in the EU.

Materials Information System

De Groene Zaak works with the Dutch government on a trajectory to develop a product-related "Materials Information System" in a project supported by industry. The ultimate goal of this system will be to keep materials in the loop as long as possible at the highest possible value, with the highest value for reuse and the lowest for recycling. The Materials Information System allows producers, chain partners and users to provide and access product-related information facilitating their maintenance, repair, upgrading, re-use, repurpose, recycling and disposal. Together with integrated reporting, this Materials Information System is needed to achieve the transparency at the product level which is necessary for circular doing business. The infrastructure for this is currently lacking. The aim of this project is to develop a voluntary system that can serve as a topic for a wider discussion. Important themes are the contents of the system, the use, benefits, and users. In time, the Materials Information System could make ecolabels redundant and provide input for VAT differentiation and EPR schemes.

Stimulate integrated reporting:

Encourage members states to give incentives through tax breaks for (voluntary) externally audited integrated reporting as a replacement for the current financial reporting, including an extra tax break for the (also voluntary) Environmental Profit & Loss (EP&L) account for those companies choosing to publish this. The importance of integrated reporting is that it provides insight into the business of materials flows and creates outward transparency to customers and investors. Together, this

¹⁴ <http://www.redisa.org.za>

provides an important basis for management of the raw materials flows in response to the other incentives.

C. Adapt and exploit existing measures

Extend the Ecodesign Directive to one for Circular Design:

While preferring economic instruments, regulatory tools can help mainstreaming circular economy as well. We therefore recommend expansion of the existing EU Ecodesign Directive into a directive for Circular Design, with requirements to be worked out for maximum efforts to offer circular products and services, and with a minimum of administrative burden, not least in view of SMEs. The Ecodesign Directive is already extending its reach beyond energy. Rather than exactly replicating energy labelling, we recommend developing suitable requirements for resources.

Furthermore we recommend:

- Acceleration of the drafting and implementation of end-of-waste criteria, with attention for enforcement and the prevention of abuse;
- An improved framework to make optimal choices at the sector and product level;
- Continuing calls for proposals in the field of circular economy in Horizon 2020 and the Eco-Innovation Programme, including calls for pilots and research on waste separation techniques, alternatives for critical or toxic raw materials, new business models and the removal of linear obstacles for circular business. In addition to these calls for innovation (change within the system) we also recommend calls for economic mechanism design (change of the system), e.g. to develop Extended Producer Responsibility schemes, the Precycling Premium (see Box Precycling Premium) and a product-related materials information system (see Box Materials Information System), to create a market pull for recycled materials and study tax reform.
- Integration of circular economy in education and training. For companies it is important, now and in the future, that graduates in all areas are trained as soon as possible to apply circular thinking and not fed with out-dated ideas.
- A strategic policy on critical raw materials including sharp anti-dumping policy for raw materials in the European market.

3. Concluding remarks

Through this Manifesto, we like to stress the importance of the full implementation of the whole Circular Economy Package for all forward-looking companies in the EU. Many of our members are actively engaged in turning linear production models into a true circular economy. As such they are an integral part of a nascent EU-wide circular economy. We would be happy to come to Brussels with a business delegation to further explain our ideas.

Signed by	Supported by
De Groene Zaak	ACR+
MVO Nederland	EEB
Circle Economy	The Dutch Society for the Protection of Nature and Environment (Natuur & Milieu)
EcoPreneur	Desso
Entreprendre Vert	EY
Green Alliance	Interface
GreenBudgetEurope	LIPOR
l'Institut de l'Economie Circulaire	ROCKWOOL
l'Institut national pour le développement durable et la responsabilité des entreprises (INDR).	RoyalHaskoning DHV
Plan C	
UnternehmensGrün	

Supporting statements

Association of Cities and Regions for Recycling and sustainable Resource management (ACR+)

“ACR+ welcomes and supports the present manifesto, and insists on the key role of local and regional authorities. Thanks to their competences, local and regional authorities are facilitators of circular economy and as such have to take a part in the necessary cooperation between public and private sector. To boost circular economy in Europe multistakeholders initiatives are needed, such as the [Circular Europe Network](#), developed by ACR+. This working group on circular economy planning for cities and regions gathers ACR+ members committed to improving their resources strategies and strengthening the sustainable development of their territory.”

Françoise Bonnet
Secretary General

European Environmental Bureau

The EEB warmly welcomes this call from a broad coalition of progressive businesses in support of an ambitious circular economy package at EU level. The voices of conservative industries have too often drowned out those of more progressive companies. This is mirrored in the Juncker Commission’s decision to largely neglect environmental protection and sustainability from its political priorities.

Now voices from industry and environmental NGOs are together urging the Commission to table a new and meaningful package which justifies the original proposal's withdrawal. It should strengthen the original targets for recycling and propose effective measures to phase out landfilling and the incineration of compostable and recyclable material. Measures in waste policy must be complemented with additional efforts towards waste prevention, re-use and better product design. These are the drivers which will make it possible to exploit the potential of new business models, such as leasing schemes for products, and which can only be developed at EU level to be fully effective in the single market. The new package should also incentivise the development of longer-lasting products, repair activities, the use of toxic-free materials and the market uptake of remanufactured or recycled components.

Innovative solutions for moving towards a circular economy already exist but need to move away from niches to the mainstream. Most important however, the Juncker Commission will need to revise its political guidelines and political priorities by recognising that a sustainable economy can only exist as part of, and respecting the limits of, a healthy environment.

Jeremy Wates
Secretary General

The Dutch Society for the Protection of Nature and Environment (Natuur & Milieu)

“Natuur & Milieu supports this manifesto from the business community. We are in favour of an ambitious circular economy package at EU level and agree that the economic system should favour sustainable and circular behaviour. The best way to achieve that is to incorporate the environmental and social profit & loss in the economic system. The proposed measures work towards that goal. We need an ambitious circular economy package that enables business to adapt profitably to new business models that take into account the importance of our natural capital for business continuity. The package should not only be ambitious on recycling and the promotion of toxic-free material use to enable circularity, but also on preserving the value that was added to the products in the form of labour, energy and raw materials. Demands on circular design that aims for repair and refurbishment and re-use of products and materials are essential elements to preserve that value.”

Tjerk Wagenaar
Director

Desso

“If we, as a world society, continue with our current ‘take, make and waste’ linear industrial economy, we will end up needing four planets to sustain the things the growing global population will need and want by mid-century. Alternatively we could build smarter designs around our products that enable us to recycle, reuse and remanufacture them, all based on healthy materials to realise the circular economy dream of non-toxic, closed loop systems. That is the aspirational goal. Some companies like ours have started on the journey in this direction. If the circular economy is scaled up sufficiently it will help all of us to preserve precious natural resources, reduce unnecessary carbon emissions through fossil fuels, and cut down any potentially dangerous toxicity in our products and the air we breathe. But we need others to join us in this process. We also need government and EU backing to provide additional incentives and therefore we welcome any stimulus that could come from EU policy for the drive to circularity.”

Roland Jonkhoff
Managing Director, Desso

EY

“It is crucial for businesses to look at sustainable and circular business models to stay in business in the long run, and so to be ‘future-proof’. The transition to these new business models requires, amongst others, considerable efforts to transform the value chain, a different mindset and another way of looking at the financial structure of businesses and perhaps even profit and loss. It also requires a change in the enabling systems and structures around the businesses. Therefore the role of governments enabling and stimulating this transition is just as crucial.”

Franc van den Berg

Partner EY Cleantech and Sustainability, The Netherlands

LIPOR

“The waste cluster in Portugal has been promoting the circular economy concept. LIPOR, as one of the major waste management Portuguese players, is totally committed with the implementation of projects where waste is introduced as a resource along the value chain. By doing so, we all win: the environment, the companies and the economy.”

Aires Pereira

CEO

ROCKWOOL

“In our opinion the transition to a circular economy starts with circular thinking and working. Making the transition to a circular economy requires a pressing need for new skills, competences and approaches. It requires value purchasing, it requires communication of business strategies at all levels within companies (not just the board rooms and the CSR reports). It requires people with a certain mindset.

Scaling up a circular economy on a (inter-)national level will most probably require government support. A coordinated approach to introduce positive legislative drivers such as waste prevention targets, promote products that are easier to reuse and remanufacture but also tender policies that take social impact into account.”

Hannie Stappers,
Director Public Affairs at ROCKWOOL Benelux

Royal HaskoningDHV

“We see the transition to a Circular Economy as vital and inevitable for a competitive future for Europe. Moreover, it offers strong business opportunities for both our clients and ourselves. But to fully grasp opportunities we need EU and national governments to adjust the rules where necessary and place the right incentives where possible to stimulate the circular transition in our society.”

Piet Besselink
Executive Board