



## GreenEcoNet Final Conference Brief

# “Moving towards a circular economy: Challenges and opportunities for SMEs”

Brussels, 26 May 2016

Venue: CEPS, Place du Congrès 1, 1000 Brussels

### Key results of GreenEcoNet and its implications for policy making in the EU

#### *Summary of discussion held*

Mr Arno Behrens (Head of Energy and Research Fellow, Centre for European Policy Studies-CEPS) introduced the topic of the Conference and emphasised that the transition to a circular economy cannot be successful without a substantial contribution by SMEs. Thereafter, Mr Panagiotis Balabanis (Deputy Head of Unit, DG Research & Innovation, European Commission) underlined that the circular economy is about systemic change and about innovation and therefore requires R&I investments, multi stakeholder involvement and an enabling regulatory environment. Moving towards a circular economy requires a new (macro) economic business model that organises production and consumption in such a way that all components of the production process are in hands with the value chain. Circular economy is also about innovation because combining the potential of bio-economy and customisation, eco-design, delivery of new products, etc. are all parts of the agenda that can drive the European re-industrialisation. Innovation is recognised and embedded in the recently published Circular Economy Package that requires looking at the whole life cycle of products. This should also comply with the traditional boundaries of consumption and production while requiring the organisation of the system to involve all stakeholders. This approach does not only focus on the technological innovation, but also on social and organizational innovation.

According to Mr. Balabanis, the role of the DG R&I is to create the right environment for R&I investment. To this purpose, the type of actions taken by DG Research & Innovation are:



- R&I funding to demonstrate the opportunities arising from moving towards the circular economy. In H2020 there are key elements that demonstrate this;
- Financing innovation: within H2020 there are several financing instruments that can help SMEs go beyond the traditional funding mechanisms and enhance collaborative funding mechanisms. In cooperation with EIB there is an ongoing assessment of the possibility to launch a platform to support the financing of the circular economy;
- Regulation: addressing regulatory barriers to circular economy.

Additionally, Innovation Deals is a new policy tool by the European Commission. The Competitiveness Council is going to make some conclusions about the expectations by the European Commission with a pilot phase launched on May 26th 2016. The idea is to put together innovators, policymakers, legislative authorities and SMEs so as to address all together the barriers (including perceived barriers) that are currently present in the EU legislation and might hinder uptake of innovative solutions. Mr. Balabanis noted that this is not about revising the EU regulation, but rather about trying to assess the current legislation and identify potential areas that can be improved.

Mr. Corrado Topi (Senior Research Fellow, University of York – SEI) was the last speaker of the first session. His presentation started with a video showcasing the advantages and key features of the GreenEcoNet platform<sup>1</sup>. He then highlighted the four major groups of stakeholders that have been addressed by GreenEcoNet: i) SMEs (primarily), ii) SME networks iii) Research institutions and iv) Policy makers particularly at EU level. The platform has many features targeted to SMEs. Specifically, SMEs can i) become members of the platform, ii) upload content such as green solutions, products, services (vetted), iii) search for other like minded SMEs, green solutions, products, services and iv) interact with researchers and policy makers. Policy makers can interact with SMEs and collect their feedback on issues related to transition to a green economy (mediated). Research institutions can collect data to explore innovative ideas. Finally, other stakeholders can develop profiles, be placed on a map available on the platform and use the platform for green economy related initiatives. The future of the platform is heading towards transferring the control to a dedicated private organisation. The following features are also in the planning phase: i) develop a marketplace where businesses can exchange products and services, ii) turn GreenEcoNet into a multilingual platform and iii) develop a mobile app.

### **Key messages**

- The circular economy is about change and innovation and requires R&I investments, multi stakeholder involvement and an enabling environment;
- The transition to a circular economy requires not only technological innovation but also innovation in financing and regulation;
- DG Research & Innovation has taken action to address all three types of innovation;

<sup>1</sup> See <https://vimeo.com/165415356>.



- GreenEcoNet is a community of practice that can contribute to the circular economy transition through its several features that address four groups of stakeholders: i) SMEs (primarily), ii) SME networks iii) Research institutions and iv) Policy makers.

## Barriers and enablers to the implementation of circular economy business models

### *Summary of discussion held*

Mr. Wytze van der Gaast (Senior Expert, Joint Implementation Network-JIN) introduced the second session of the conference on barriers and enablers to the implementation of circular economy business models. During his introduction he explained that an important rationale for GreenEcoNet is to collect and publish stories on the online platform about SMEs that have successfully made the transition towards greener business operations *and* to communicate their experiences to other SMEs that have not made a green transition but are interested in doing so. An important source of information to be communicated to not-yet-green SMEs is how green SMEs have encountered barriers and managed to overcome these through enabling actions. Based on research conducted by the GreenEcoNet consortium team, Mr. Van der Gaast showed key barriers and enablers identified from the GreenEcoNet success stories. An important initial observation was that both barriers and enablers at the level of greening of SMEs are strongly related to the people and personalities behind the SMEs.

His introduction was followed by a contribution by Ms. Andrée Buchmann (Director, Entreprendre Vert) who presented the Entreprendre Vert network which consists of 300 members and promotes the green economy to enterprises across France, and the EU through ecopreneur.eu network. She then emphasized that the empowerment of local initiatives through funding and advanced regulation can help foster major circular economy initiatives. Government support via tenders and open initiatives can also contribute to this end. Then, Mr. Tim Horsten (Corporate Responsibility Advisor, Duurzom) presented how his organisation supports SME decision makers to achieve their sustainable achievements quickly and at a low cost, based on networking and trust. During the presentation, he pointed out that SMEs represent 60% of Dutch export and in his experience, the major enablers for SMEs are trust, serendipity and access (to funding, markets and information). At the same time, major barriers for SMEs to green their operation are lack of expertise and resistance to change. Regarding the latter, he pointed out that many SMEs consider themselves too small to make a change.

Following the presentations of the two SME networks, the session provided two SMEs with the opportunity to present their business model and discuss about barriers and enablers they encountered. Mr. Gregorio Magno Toral (CEO and Founder, Ciclogreen) presented the Ciclogreen system that rewards users for active commuting. Ciclogreen attempts to address the need for sustainable mobility and supports companies, city councils and universities in achieving higher productivity, reducing absenteeism and other benefits. According to Mr. Magno, the main barriers faced by green SMEs are: lack of capital, lack of visibility, difficulties in finding the first customer, difficulties in communicating



with big companies and lack of government support. The major enablers are: participation in the GreenEcoNet community of practice, participation in a green investors network held by the government, specific acceleration programmes that can introduce small companies to universities in order to attract more customers through validation of the research community and participation in other green SMEs networks connected to investors and big companies.

Ms. Magdalena Chávez (Founder of EL PIANO, plant-based restaurant) presented the anatomy/recipe of EL PIANO as having four key ingredients: Physical, Intellectual, Emotional and Spiritual (PIES). She concluded that an SME with a green agenda is more complex than the average SME: purchase decisions may not necessarily mean the cheapest option as source (local or distant), labour conditions (just) and, in the case of food, quality (organic, free of genetic modification) are key factors to consider; staff are often viewed as a valuable resource to be paid well, involved in decision making and equipped to leave the company with more skills than when they arrived; accountability to customers may be a key component to success with ties to local community and education. All lead to company longevity and social stability. In the experience of EL PIANO money is not the only valuable currency: time, patience, kindness and trust are instrumental business success. Ms. Chávez proposed that green SMEs be recognised as a separate SME sector, subject to different rules (e.g. taxation, profit share, employment rules, etc.) in order to strengthen the green SME and attract more SMEs to become involved.

### ***Key messages***

- Local initiatives through funding and advanced regulation can help foster major circular economy initiatives;
- The transition to a circular economy requires the empowerment of people: trust, serendipity and access are among the major enablers;
- Among the key barriers faced by actual SMEs are: lack of capital, lack of visibility, difficulties in finding the first customer, difficulties in communicating with big companies and banks and lack of government support;
- Among the key enablers are: participation in communities of practice and green networks and personal dedication of the SME owners or management;
- Green SMEs are different from standard SMEs in terms of their business approach and perhaps there is a need for a favourable regulatory framework for these SMEs.



## What does the Circular Economy Package mean for SMEs in the EU?

### *Summary of discussion held*

Mr. Vasileios Rizos (Research Fellow, Centre for European Policy Studies-CEPS) introduced the third session and outlined the background of the new Circular Economy Package published in December 2015. Then, Ms. Eva Revilla (Policy Officer, DG Grow, European Commission) emphasised that the circular economy is currently a key strategy for the European Commission. She stressed that an inclusive circular economy can be achieved only through the active participation of SMEs. One of the key objectives of DG Grow is to support SMEs that have not yet managed to green their business model although they make investments in order to deliver a product or service in the most resource efficient manner. This type of businesses needs support because: i) they lack information, ii) they are not aware about how to obtain funding, iii) value chains are not green. Furthermore, she noted that internationalisation is extremely important and that the EU has to demonstrate its willingness to achieve the commitments signed in Paris COP21 Agreement.

Mr. Guido Lena, Director for Sustainable Development, UEAPME (The European Association of Craft, Small and Medium-sized Enterprises) presented the UEAPME's views on the Circular Economy Package. He highlighted that the transition to a circular economy in Europe cannot succeed unless SMEs are fully on board. In his view, the EU Action Plan for a Circular Economy has many good ideas but also some areas of concern. Specifically, there is a risk that some measures included in the Plan will increase bureaucracy for SMEs. For instance, the eco-design part of the Package could benefit some industries, while imposing negative effects on manufacturers. The inclusion of "green" criteria in Public Procurement is another measure that needs careful consideration, taking into account that only 40% of SMEs are currently involved in public procurement due to bureaucracy. The same goes for the extended producer responsibility, which is a source of red tape and high costs and should be replaced by a system in which all the production chain, including consumers, share the responsibility for waste management. All these doubtful measures require the Green Action Plan for SMEs to be clearly linked with the Circular Economy Package. Mr. Michael Steurer (Senior Policy Advisor, Eurochambres) highlighted that what matters the most to entrepreneurs is how the circular economy will impact their business in terms of both new opportunities and additional costs. In this context, there is a need for a careful assessment of how the specific provisions of the Circular Economy Package will affect SMEs, for example eco-design and extended producer responsibility. There is also a need to decrease regulatory barriers for trading waste and define optimum recycling targets.

Mr. Henning H. Sittel (Project Manager, Efficiency Agency North Rhine-Westphalia) started his presentation by remarking that every five years there is a chance that policy-makers will change their approach and this new approach will need to be translated in business terms. There is therefore a need for more regulatory certainty. Concerning the Circular Economy Package, he stated that more information is needed about its specific impacts for businesses. He furthermore pointed out that although there are several funding options available at the EU level but also at the national level in



Germany and Austria, SMEs face difficulties in identifying clear and trustful information. Networking to exchange experience is also needed to support SMEs come in contact with reliable partners. Finally, Mr. Cillian Lohan (Rapporteur for the Circular Economy Package, European Economic and Social Committee) noted that there is a need to assess the impact and effectiveness of previous policy initiatives similar to the Circular Economy Package, for example The Roadmap to a resource-efficient Europe. This will help examine how we can achieve the behavioural change needed in the most efficient way. The European Economic and Social Committee also suggests the development of a platform that would facilitate discussion about the Circular Economy and would help create a momentum for positive change.

### ***Key messages***

- An inclusive circular economy can be achieved only through the active participation of SMEs;
- The Circular Economy Package is a solid step in the right direction but careful consideration should be given on its implications for SMEs;
- There is a need for more regulatory certainty regarding future policies and how they are translated in business terms;
- SMEs often face difficulties in identifying clear and trustful information about the available funding sources;
- Networking and exchange of experience is crucial for SMEs in order to overcome the barriers and introduce circularity into their business models.

