SMEs and the Circular Economy

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Structure of the presentation

1. Introduction of CEPS
2. Framework of circular economy processes
3. CEPS Task Force on the “Role of Business in the Circular Economy”
4. Recommendations provided to the G20 process
5. Study on SMEs and the circular economy
• Independent European think tank based in Brussels, founded in 1983
• Objectives:
  ➢ Policy-oriented research
  ➢ Forum for discussion
• Strong in-house research capacity and an extensive network of partner institutes throughout the world
• Extensive portfolio of work in the circular economy field:
  ➢ CEPS Task Force on the “Role of Business in the Circular Economy”
  ➢ Circular Impacts Horizon 2020 project
  ➢ CEPS co-chairs the Circular Economy Task Force of the T20 Think Tank Network that supports G20 policy making
CEPS Energy Climate House

The Policy arm of the Energy and Climate Unit
An open space to discuss, research and shape the policies for today and the future

Themes:
- Energy
- Finance
- Climate
- Resources

Activities:
- Research
- Reports
- ECH Talks
- Task Forces
- Communication
- Shaping policy
Framework of circular economy processes

USE LESS PRIMARY RESOURCES

- Recycling
- Efficient use of resources
- Utilisation of renewable energy sources

MAINTAIN THE HIGHEST VALUE OF MATERIALS AND PRODUCTS

- Remanufacturing, refurbishment and re-use of products and components
- Product life extension

CHANGE UTILISATION PATTERNS

- Product as service
- Sharing models
- Shift in consumption patterns
# Mapping of application of circular economy processes in different sectors

<table>
<thead>
<tr>
<th>Circular process</th>
<th>Examples of sectors where circular processes can be applied</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USE OF LESS PRIMARY RESOURCES</strong></td>
<td></td>
</tr>
<tr>
<td>Recycling</td>
<td>Automobile industry, Textile industry, Building sector, Packaging sector, Critical Raw materials, Forest sector, Chemical industry</td>
</tr>
<tr>
<td>Efficient use of resources</td>
<td>Building sector, Plastics industry, Mining and metals industry, Food sector</td>
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<tr>
<td>Utilisation of renewable energy sources</td>
<td>Chemical industry, Food industry, Forest sector, Defense industry</td>
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<tr>
<td><strong>MAINTAIN THE HIGHEST VALUE OF MATERIALS AND PRODUCTS</strong></td>
<td></td>
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<tr>
<td>Remanufacturing, refurbishment, and reuse of products and components</td>
<td>Automobile industry, Manufacture of consumer electronics, Building sector, Furniture sector, Transport</td>
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<tr>
<td>Product life extension</td>
<td>Automobile industry, Electronics industry, Household appliances, Food industry, Textile industry, Defense industry</td>
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<tr>
<td>Product as service</td>
<td>Manufacture of consumer electronics, Household appliances, Transport, Building sector, Automobile industry</td>
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<tr>
<td>Sharing models</td>
<td>Automobile industry, Transport, Accommodation, Clothing</td>
</tr>
<tr>
<td>Shift in consumption patterns</td>
<td>Food sector, Publishing sector, E-commerce sector</td>
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Challenge: Remove market, structural and regulatory barriers

• The linear economy has remained the dominant model since the onset of the Industrial Revolution

• Transforming the linear economy into a circular one requires a major transformation of our production and consumption patterns, business practices, value chains and sectors

• Achieving a large scale industrial transformation is challenging and requires policies to remove barriers and support the growth of circular markets
CEPS Task Force on the Role of Business in the Circular Economy

- CEPS has built up a Task Force comprised of representatives of major multinational companies and NGOs, research organisations
- UEAPME is a member of the Task Force and provides the SME perspective
- Objective is to prepare a Task Force report including policy recommendations
- Report will be based on discussions during the Task Force meetings and research by the CEPS team
- 4 meetings of the Task Force between November 2016 and May 2017
CEPS Task Force on the Role of Business in the Circular Economy

Preliminary conclusions/recommendations of the CEPS Task Force:

• Policy makers at the EU and member state level should address regulatory barriers
• Provide a major demand pull for circular products and services (Economic incentives, Green Public Procurement)
• Engage consumers in the transition
• Support transparency across global value chains
Recommendations provided to the G2O process

Integrate the circular economy into discussions about implementing the 2030 Agenda for Sustainable Development and the Paris Agreement

- Circular economy is not a separate agenda
- Sustainable Development Goals (SDGs)
  - Goal 12: “ensure sustainable consumption and production patterns”
  - UNEP: 12/17 SDGs promote human well-being through sustainable resource use
- Paris Agreement: Link between use of natural resources and climate change
Recommendations provided to the G2O process

Work towards agreed terminologies for circular products and services

- The circular economy concept is not applied consistently worldwide by governments and companies
  - This often creates confusion about the circular economy and its various processes
  - It can also hinder the development of an international playing field
  - Risk of green-washing
- G20 should collaboratively work towards agreed terminologies for products and processes relevant to the circular economy (remanufacturing, refurbishment, product life extension, reparability)
  - Example: EU-Vietnam Free Trade Agreement
- This would support the use of a common framework of indicators to monitor the performance of countries and companies worldwide
Recommendations provided to the G20 process

Encourage demand for circular economy products and services

- Demand for circular products and services is still low compared to products produced through linear processes
- Public procurement can provide a major demand pull for circular products and services
  - Untapped potential in the use of this instrument worldwide
  - Award decision process: Purchase price vs benefits over the lifetime of products and services
- Economic incentives to encourage the market pull for circular products and services
  - Reduced VAT for secondary raw materials (e.g. China)
  - Tax incentives for companies that provide circular products
  - Shifting taxes from labour to resources
Recommendations provided to the G20 process

Facilitate transparency across global value chains

• Companies increasingly operate in an international marketplace and are involved in global value chains
  • Transparency regarding the origins and content of circular products and materials is needed
  • Improved transparency would facilitate collaboration between companies

• Standards can ensure the quality of circular products and processes and support greater transparency along the supply chains

• To improve transparency governments can also support the development of business-to-business labels to indicate the origins and content of products and materials
Recommendations provided to the G20 process

Proactively address transition issues

- Transforming the linear economy into a circular one requires a major transformation of our production and consumption patterns, business practices, value chains and sectors

- This would in turn entail impacts on the economy (e.g. net GDP, net employment), the environment (e.g. decreased GHG emissions, decreased primary material consumption) and the society (e.g. distributional impacts, gender, skills)

  - Such impacts need to be carefully assessed to enable policy makers proactively address transition issues

- The indirect impacts on the economy (e.g. changes in consumption patterns, trade effects) also need to be assessed

- Given that value chains in many sectors are global the impacts of the circular economy transition on third countries should also be considered
Study on SMEs and circular economy business models

- **GreenEcoNet**: EU-funded platform featuring SME business case studies
- Case studies come from a variety of countries and SME sectors
Study on SMEs and circular economy business models

• Study to investigate the barriers and enablers to the implementation of SME circular economy business models across the EU

• Methodological steps: Literature review, selection of case studies, questionnaires sent to SMEs, quality check of case studies, selection of sample

• SME sectors: 40% manufacturing sector, 13% information and communication, 10% wholesale and retail, 7% electricity, gas, steam and air conditioning supply, 7% accommodation and food service activities, 7% transportation and storage and 16% other
Barriers to the implementation of circular economy business models

- Lack of support supply and demand network
- Lack of capital
- Lack of government support
- Administrative burden
- Lack of technical skills
- Lack of information
- Other barriers
- Company environmental culture
Enablers to the implementation of circular economy business models

- Company environmental culture
- Networking
- Support from the demand network
- Financially attractive
- Recognition
- Personal knowledge
- Government support
Barriers and enablers to the implementation of circular economy business models

Conclusions

Despite the various available policy instruments barriers exist:

• **Lack of support from the supply/demand network**
  SMEs usually operate as small actors in wider value (market) chains and thus depend on how other ‘green’ actors in the chain are or want to be

• SMEs do not often have the **financial capacity** to manage the disruptive transition to a greener business model

• **Lack of government support** is highly ranked in the list of barriers
Barriers and enablers to the implementation of circular economy business models

Conclusions

• Several enabling factors:
  A ‘green’ company culture; a local or regional network with other SMEs and supporting multipliers; having a green image and being recognised as a green supplier by customers

  A wide range of enablers are required for enhancing attractiveness of green SME business

• EU and national policies strengthen their focus on greening consumer preferences, market value chains and company cultures, as well as support the recognition of an SME’s green business model

• The implementation of a wider policy focus can be supported by dedicated communities of practice
- THANK YOU! -

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