

SNAPSHOT

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Europe's Circular Economy: A green light for the next chapter?

October 2019

The European Union's focus on the Circular Economy is stepping up a gear, matching the political rhetoric and the continued electoral success of the continent's Green parties. At the same time, the regulatory and legislative focus is also set to expand to encircle new sectors and new areas of the economy. This will present a real challenge – but also opportunity - to those companies that have so far not been in the eye of the storm.

As a first step, EU governments have come together to put their own mark on the priorities and strategies that should be adopted. On 4 October, the EU's national governments unveiled their priorities, now putting the ball into the European Commission's court.

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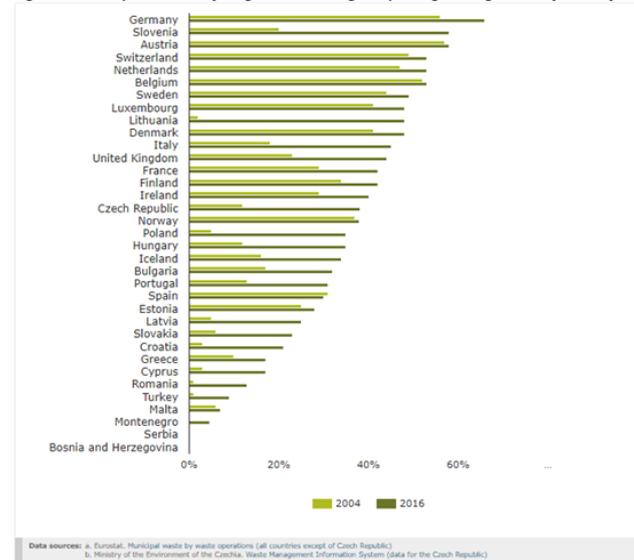
1. Circular Economy 1.0 – a reminder to how it all started

The EU's original Circular Economy Package was a flagship legislative proposal of Jean-Claude Juncker's European Commission (2014 to 2019); its aim was to transform Europe's economy from its current linear model to a more circular one, based on the principles of reduce, reuse, and recycle. The plan contained 54 specific actions, with the most important focused on waste, recycling targets and landfill avoidance. The most headline-grabbing was the ban on plastic straws and cutlery as of July 2021, which was adopted as part of the Single Use Plastic Directive.

While in March 2019 the European Commission officially announced that its plan was a success, with all 54 actions either completed or being implemented there are still areas for improvement. For example, significant differences still remain between the recycling rates of EU Member States, with some already exceeding targets where others lag behind

(see [graph](#) below). Nevertheless, this has not stopped the EU from moving ahead with Circular Economy 2.0.

Figure 2. Municipal waste recycling rate (including composting and digestion) by country



2. Introducing Circular Economy 2.0 – picking up the baton

Europe is not starting with a blank sheet of paper as the Circular Economy 2.0 builds on the previous work, moving towards a more sector-specific approach. The targeted sectors are viewed as resource intensive waste streams, e.g. food, textiles, construction and electronics, all of which produce a significant amount of waste that could be turned into valuable raw materials if the right incentives were in place.

The push for more circularity received impetus from the Finnish Presidency of the Council which is in charge from June to December 2019. The Finns' [openly stated](#) objective is to change the way the public sector, businesses and citizens operate, again referencing the opportunities provided by digitalisation (without further clarification) as well as a need for a sector-specific approach. However, support for Circular Economy initiatives is broad, with a recently published [report](#) by the European Environmental Agency stating that of 32 EU countries surveyed, 21 had their own Circular Economy policies, often within a broader resource efficiency approach.

EU governments set down their priorities (4 October 2019)

The strategic priorities on the Circular Economy of the Council of the European Union (the body representing the 28 Governments of the EU) published today have sent a clear political message to the other EU institutions and Member States will be closely monitoring how they react. The Member States have not suggested targets to be reached e.g. for recycling or efficiency, though acknowledge the need to address information-sharing and transparency along the supply chain, a big question mark for some manufacturers like the auto industry that often deal with legacy products and articles where the exact make-up is hard to determine.

For industry, the following calls to action are the ones to watch:

1. The call for an ambitious long-term Circular Economy framework, including a common vision, policy instruments and a monitoring framework, establishing clear links with other policy areas: this would mean that eventually more sectors will be targeted by policymakers and the Circular Economy as a concept will be mainstreamed through other policy areas
2. The call for new initiatives and the transfer of expertise on industrial processes and technologies, the exchange of best practices and the networking of stakeholders in the field of Circular Economy: this presents an opportunity for industry to be an integral part of the debate and have a voice at the table
3. The call for Member States to apply economic instruments, such as environmental taxation, green tax reforms and EPR: this would have a real impact on businesses' bottom line
4. The call to expand minimum requirements of secondary raw material content in products beyond plastic bottles: the methodology for measuring the recycled content in bottles has not yet been agreed;

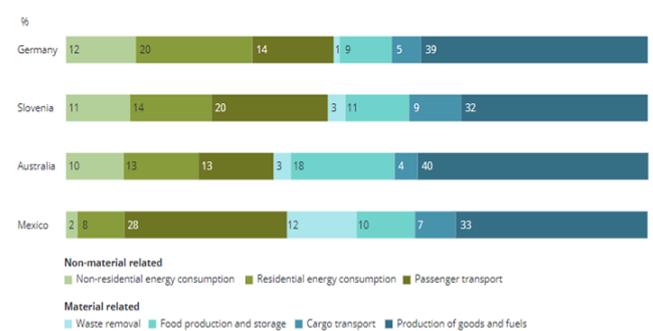
expanding this concept without a proper scientific method of measurement would increase unpredictability for companies

5. The call for a product policy framework based on a life-cycle approach to address further single-use products: the next battleground will be single use products in general. Companies will have to prove their products are both circular and sustainable throughout the value chain

The role of the European Commission

The European Commission should adopt a Circular Economy Action Plan 2.0 "without delay". This is already being heard by European Commission President-elect Ursula von der Leyen whose political guidelines clearly state that Europe will be a "[world leader](#)" in the Circular Economy. The fact that the Circular Economy is increasingly linked to climate policy by certain stakeholders will only increase the urgency (see the [graph](#) linking materials and greenhouse gas emissions from the European Environmental Agency below).

Figure 4.5 National greenhouse gas emissions from four countries, categorised by activity



In practice, this work will be coordinated by Frans Timmermans, the Executive Vice President in charge of the European Green Deal and also the Commissioner in charge of the climate portfolio, with Lithuanian Virginijus Sinkevičius, Commissioner for Environment and Oceans to take day to day charge. Commissioner for the Internal Market and Industry, Sylvie Goulard from France should ensure that the Circular Economy and Europe's Industrial Strategy are compatible.

Even though the precise actions and plans will likely not be published for months until the new Commission is formally in place, pending the confirmation hearings in the European Parliament, at this point the political momentum for a Circular Economy Package 2.0 is unstoppable.

Sector plans

We have already named some of the sectors which are likely to come under closer scrutiny. Below we set out thoughts as to the possible motivation of the EU's decision makers:

1. **Textiles:** "Fast Fashion" has become a well-known term and media reports last year of high-fashion brands burning returned or out-of-date merchandise sparked outrage. While Member States will be required to collect textiles separately by 2025, calls for a separate "Textile Strategy" are growing. This could be reminiscent of the Plastics Strategy which contained several regulatory and non-regulatory measures.
2. **Buildings and construction:** Buildings are Europe's single largest consumer of energy and are highly material and carbon intensive. The construction sector is already working with the EU to develop a Construction and Demolition Waste Protocol which will provide non-binding guidelines, but more could be done. Voluntary, mandatory or market-driven incentives are being discussed along with cooperation between building design and demolition activities.
3. **Electronics:** In 2018 the Ellen MacArthur Foundation, the leading NGO active on Circular Economy issues, published [initial thoughts](#) on circular consumer electronics. There is growing recognition that the circular model should go beyond consumer electronics and incorporate the whole value chain, including batteries. Batteries have grown in importance as they are recognised as essential for electric vehicles and energy storage from renewables, but not enough thought has been given to their design and waste management. We can expect an upcoming revision of the Battery Directive.
4. **Mobility:** New forms of mobility are leading to new forms of waste: from batteries (see above) to e-scooters, the recognition that this is an issue that may need to be tackled through legislation is growing.

5. **Food:** Our current food system contributes to greenhouse gas emissions, biodiversity loss and global land degradation and deforestation. Under the previous Circular Economy Action Plan the European Commission implemented a common definition of food waste across all Member States in a first step to allow consistent and coherent measurement across the EU. Given the wide-ranging environmental and social impact of food waste, the Commission is committed to halving food waste at the consumer and retail level by 2030 (in line with the [Sustainable Development Goal target 12.3](#))

3. Why does this matter?

The fact that the Circular Economy has been prominently talked about by the new incoming European Commission shows that it's here to stay. However, while the Commission claims success for the original action plan questions remain: for example, the role of the consumer has not been mentioned at all so far. Also still lacking is faster progress in waste reduction and details on the new business models and markets that can replace the existing linear economy, creating new jobs and opportunities along the way. Over the next five years the Commission will aim to stimulate these, also through far reaching regulation, such as the recently adopted eco-design requirements to ensure that products are recyclable.

The first iteration of the Circular Economy however showed that political will needs to be underpinned with sound science which industry can deliver. One example is that the Single Use Plastic Directive has still to define what plastic is. Now is not the time to hide under the parapet and hope that your company or business will not be targeted, as eventually everyone will be impacted (even if not directly then through suppliers or customer behaviour). Instead, open and proactive dialogue with stakeholders and concrete actions will help inform politicians of the realities on the ground and hopefully lead to a sustainable and just transition to a truly Circular Economy.

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