

# Universal circular economy policy goals

Enabling the  
transition to scale



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The Ellen MacArthur Foundation is a UK-based charity, committed to developing and promoting the idea of the circular economy in order to tackle some of the biggest challenges of our time, such as climate change, biodiversity loss, waste, and pollution. We work with, and inspire, business, academia, policymakers, and institutions to mobilise system solutions at scale, globally. In the circular economy, business models, products, and materials are designed to increase use and reuse, creating an economy in which nothing becomes waste and everything has value. Increasingly based on renewable energy and materials, the circular economy is a resilient, distributed, diverse, and inclusive economic model.

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# Executive summary

**The circular economy offers opportunities for better growth, through an economic model that is resilient, distributed, diverse, and inclusive. It tackles the root causes of global challenges such as climate change, biodiversity loss, and pollution, creating an economy in which nothing becomes waste and which is regenerative by design.**

**As industries begin their transition towards the circular economy, governments are developing circular economy roadmaps and strategies, both economy-wide and sector-based. This activity is vital to scale the transition, and as momentum builds, it is critical to agree on a clear direction of travel that reduces fragmentation and complexity, and takes into account the global nature of supply chains and production and consumption systems.**

**This paper sets out five universal circular economy policy goals around which governments and businesses can align to achieve their common objectives. Applicable across sectors and local contexts, these policy goals can — working in conjunction — help governments build healthier economic recoveries and lower the cost of transition for business.**



**As countries look to reboot their economies following the impact of the Covid-19 pandemic, the transition to a circular economy is more relevant than ever.<sup>1</sup>**

It is a bigger idea than simply improving waste management and better recycling. It reaches far beyond incremental or end-of-pipe actions, and can lead to the improved wellbeing of citizens and the environment. The systemic nature of the circular economy transition can unlock a series of economic, environmental, and societal benefits. It is a better growth opportunity that can contribute to tackling multiple global challenges, including the climate crisis. Relying solely on energy-efficiency and switching to renewable energy will only address 55% of global GHG emissions.<sup>2</sup> The remaining 45% are a direct result of the way we make and use products and food, and can be significantly reduced through circular strategies. Integrating circular economy solutions into climate action workstreams and Nationally Determined Contributions (NDCs) as part of the Paris Agreement would complement and support the renewable energy transition through a transition in production and consumption systems. At the same time, the circular economy can play a critical role in addressing waste and pollution, and the impacts of resource extraction and processing which currently causes significant stress on our water resources and is responsible for 90% of biodiversity loss.<sup>3</sup>

**The circular economy is a systems solution framework that contributes to the delivery of the United Nations' Sustainable Development Goals (SDGs).**

The circular economy is underpinned by three principles, all driven by upstream design and innovation: eliminate waste and pollution, keep products and materials in use, and regenerate natural systems. Increasingly based on renewable energy and materials, and harnessing the power of digital technologies, the circular economy offers a resilient, distributed, diverse, and inclusive economic model. The circular economy is core to the delivery of SDG12 (to ensure sustainable consumption and production patterns) and delivers benefits across a further eleven SDGs including SDG9 (to build resilient, inclusive and sustainable industrialisation, together with infrastructure and innovation).<sup>4</sup>

**Policymakers have a unique opportunity to enable and accelerate the industrial transformations needed to scale the circular economy.**

The principles are being applied by an increasing number of the world's largest businesses from across different sectors and value chains.<sup>5</sup> Private sector investment in circular economy opportunities is also rising sharply with, for example, the assets under management in public equity funds dedicated to the circular economy having grown fourteen fold in 2020 alone.<sup>6</sup> To further advance this trend, creating the conditions for circular solutions to emerge at scale is therefore crucial and policy can play a key role in this.

**Recognising this convergence of favourable trends and identifying the need for alignment, the Ellen MacArthur Foundation aims to provide a set of circular economy policy goals that can create a common direction of travel.** Aligning actions around these goals can accelerate the transition while avoiding fragmentation as a multitude of corporate efforts and government roadmaps are drawn up.

**Embedding the circular economy model across industries will require comprehensive policy frameworks, as voluntary commitments by industry leaders alone will not achieve the scale required.**

To take the example of plastic packaging, signatories of the New Plastics Economy Global Commitment – a voluntary commitment for achieving a circular economy for plastics – represent around 20% of the global market.<sup>7</sup> To scale and extend the transition across the rest of the industry, policymakers have a key role to play, for example by: eliminating unnecessary and problematic plastic items across the economy, stimulating innovation, facilitating collection-for-recycling systems and the necessary stable and recurring funding for them, and incentivising increased use of recycled materials. Such policy initiatives and leadership are vital to help scale the transition across all sectors. At a time when a resilient economic recovery is needed on a global scale, policymakers can seize the moment to help usher in new value creation mechanisms to meet the need for post Covid-19 pandemic growth and demand a system reset.

## In order to help create alignment and foster collaboration so that the full potential of the circular economy can be captured, this paper suggests the following five complementary policy goals:



### GOAL 1

#### Stimulate design for the circular economy

Enable all products – from fast-moving consumer goods to long-term assets – to be designed, accessed, and used in ways that eliminate waste and pollution, and lead to the effective and economically attractive circulation of products and materials on the market. Stimulate the design and production of food and renewable materials in ways that contribute to increasing the return on invested energies, reducing climate impact and fostering regeneration of natural systems:

- Developing product policies that focus on high-quality design for durable goods and packaging (including emphasis on durability; reusability; design for repairability and remanufacturing; recyclability; compostability, where relevant; penalties on planned or premature obsolescence; and the sharing of information and tracking through product labels, tags, and digital product material passports)
- Stimulating circular building designs through construction and planning policies (including building codes and regulations, planning guidance, incentives for refurbishment and renovation, and supporting deconstruction and component or materials reuse over demolition and land filling of construction waste)
- Encouraging regenerative production through product and formulation design, sourcing practices and agricultural and land-use policies
- Adapting chemical legislation to enable circular economy outcomes
- Developing standards to support trade in circular economy goods, services, and systems

- Developing and harmonising collection and sorting policies (such as separate collection and management of materials), leading to the value retention of high-quality materials and products and enabling higher value organic loops as well as regenerative practices through nutrient cycling
- Developing secondary material and by-product markets
- Implementing spatial planning policies to enhance material flow and use, and creating business opportunities such as industrial symbiosis
- Strengthening resource loops through Extended Producer Responsibility (EPR) policies and Deposit Return Schemes (DRS) to support circular opportunities from reuse to recycling
- Reviewing and harmonising resource classifications and definitions in waste legislation
- Disincentivising landfilling and incineration



### GOAL 3

#### Make the economics work

Create economic incentives and set regulatory requirements that enable circular economy solutions to become the norm rather than the exception, thereby unlocking benefits at scale:

- Aligning taxation and fee incentives, such as EPR, with circular economy outcomes
- Reforming and, where relevant, deploying subsidies
- Attaching conditions to state aid and government funds
- Reviewing competition policy
- Adapting intellectual property rights
- Implementing labour market policies to support the transition
- Incorporating circular economy principles into trade policies
- Using public procurement to grow new markets
- Ensuring transparency through taxonomy and disclosure requirements
- Adapting accounting rules
- Reviewing digital and data regulation



### GOAL 2

#### Manage resources to preserve value

Promote the development of business models and resource management systems that keep products and materials in the economy at their highest possible value, enabled by the design principles and approaches laid out in Goal 1:

- Creating tax and procurement policies that foster repair, sharing, resale, and remanufacturing to maximise asset use and return on invested energy



#### **GOAL 4**

##### **Invest in innovation, infrastructure, and skills**

Invest public money, and stimulate private sector investment, in developing the skills required to create circular economy opportunities and ensure an inclusive transition, supporting innovation, and developing the infrastructure necessary to scale the transition:

- Providing interdisciplinary research funds
- Offering early-stage venture funding
- Supporting blended finance solutions for physical and digital infrastructure, and innovation
- Incorporating the circular economy in school and higher education curricula
- Developing training programmes and apprenticeships
- Building capacity through international aid



#### **GOAL 5**

##### **Collaborate for system change**

Foster responsive public-private collaboration across value chains to remove barriers, develop new policies, and align existing ones; work across government departments, nationally and internationally to build policy alignment and durable change; and measure progress towards embedding a circular economy approach across sectors.

- Promoting the establishment and adoption of multi-stakeholder, cross-value-chain, inclusive and responsive working mechanisms to develop system solutions and to build public-private capacity
- Mainstreaming circular economy principles into national and international policies, and building cross-border policy alignment
- Developing and implementing awareness-raising campaigns
- Accelerating progress through measurement and use of data

Pursuing the goals as an interconnected set is key to unlocking a systemic shift in production and consumption. This integrated approach avoids individual policies for a circular economy being stranded in a wider policy landscape that supports a linear, extractive model. By spanning the economy, the goals open up opportunities to embed circular economy principles in crucial cross-cutting policy agendas such as economic and industrial development, climate change, biodiversity, and resource security. The starting points for each country and each sector will be different, and trade-offs will need to be considered, but the essence of the five goals and the need to build alignment between policy efforts is universally relevant.

We call on businesses and policymakers at all levels – international, national, and local – to work together and align with these goals as the basis for a society-wide transition to a circular economy. The goals apply across sectors and value chains and can provide a springboard for context-specific policy development around the world. Global adoption of these goals could catalyse private sector innovation and the development of solutions that can be deployed and scaled rapidly around the world. Public-private dialogue and ambition will drive action and will be critical to the implementation of the goals. Nurturing an informed and balanced co-creation process will be a prerequisite for success.

**Now is the time to channel the energy behind the post Covid-19 recovery into creating an economy that is by design resilient, inclusive, and regenerative.**

# Endnotes

- 1 Ellen MacArthur Foundation, The Circular Economy: A transformative Covid-19 recovery strategy: How policymakers can pave the way to a low carbon, prosperous future (2020)
- 2 Ellen MacArthur Foundation, Completing the Picture: How the Circular Economy Tackles Climate Change (2019)
- 3 International Resource Panel, Global Resource Outlook 2019 (2019)
- 4 International Resource Panel, Resource Efficiency: Potential and Economic Implications (2017)
- 5 Ellen MacArthur Foundation, The Global Commitment 2020 Progress Report (2020); Ellen MacArthur Foundation, Circulytics
- 6 Ellen MacArthur Foundation analysis
- 7 Ellen MacArthur Foundation, The Global Commitment 2020 Progress Report (2020)

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