

## SEMINAR SERIES: MANAGING ENVIRONMENTAL AND ENERGY TRANSITIONS FOR REGIONS AND CITIES

### SEMINAR 3: Managing transition to a circular economy

5 July 2019; 9:30 - 17:00

OECD Headquarter, Chateau Room E, 2 rue André Pascal, 75016 Paris

## Background

Circular economy<sup>1</sup> is a new socio-economic paradigm whereby resources are used in a more sustainable and efficient way. In recent years circular economy has increasingly gained traction at both national and subnational levels. In contrast to a linear system, waste is intended as a resource. That is, the circularity implies putting resources back into environmental and economic systems, and postpone material losses through reusing and reducing waste. This can occur through different means, from product design to more pro-environmental behaviours.

Circular economy is gaining momentum as a means to support the implementation of global frameworks. As such, it has been receiving increasing attention by governments at various levels, as well as by public, private and non-profit sectors. By promoting a re-thinking of business models consisting in designing more durable and recyclable products, reusing material in the production cycle and fostering a more responsible consumption, the circular economy approach is an interesting implementation vehicle to the Sustainable Development Goal 12, pledging for more sustainable and responsible consumption and production patterns. Moreover, it is relevant for the achievement of SDGs 6 (water), 7 (energy), 11 (sustainable cities and communities), 13 (climate action) and 15 (life on land). The circular economy can also support the Paris Agreement since practices of reusing, recycling, sharing, amongst others, reduce greenhouse gas emissions and simultaneously address issues linked natural resources extraction and exploitation. Circular economy is one of the EU's key priorities as outlined in the Circular Economy Action Plan (CEAP).

The circular economy will bring benefits for local and regional development as well as for the environment, the society, and the economy. New circular business models, waste prevention, recycling, eco-design and similar measures create savings, increase turnover and create local jobs in various sectors. For example, in London benefits from circular approaches applied to the built environment, food, textiles, electricals and plastics are estimated at GBP 7 billion every year by 2036<sup>2</sup>. In Amsterdam, projections show that the construction sector can save €85 million per year from material reuse, while decreasing greenhouse gas emissions by 500 000 tonnes of CO<sub>2</sub> along the construction chain.<sup>3</sup> In the Île-de-France, about 50 000 jobs linked to the circular economy are estimated to be created by 2030.<sup>4</sup>

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<sup>1</sup> [https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/towards-circular-economy\\_en](https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/towards-circular-economy_en)

<sup>2</sup> Amec Foster Wheeler: see focus area profiles in this document (pg 20-30) (2015), [https://www.lwarb.gov.uk/wp-content/uploads/2015/12/LWARB-circular-economy-report\\_web\\_09.12.15.pdf](https://www.lwarb.gov.uk/wp-content/uploads/2015/12/LWARB-circular-economy-report_web_09.12.15.pdf)

<sup>3</sup> Circle Economy, TNO and Fabric, 2016, <https://amsterdamsmartcity.com/themes/circular-city>

<sup>4</sup> <https://www.paris.fr/economiecirculaire>

The potential of circular economy still needs to be unlocked. Today, less than 10% of the global economy is circular (Circle Economy, 2018). Unlocking the potential of circular economy in cities implies put the necessary conditions in place to create incentives (legal, financial), stimulate innovation (technical, social, institutional) and generate information (data, knowledge, capacities). The transition to a circular economy presents challenges linked to the uptake of new business models, adequate standards and laws, financial incentives, innovation, behavioural change, improved waste management, knowhow and administrative capacity, among others. Technological as well as social innovation is needed because the transition requires rethinking patterns of production and consumption (on top of optimisation of existing systems). Moreover, the circular economy emphasises the role of changing consumption practices, behavioural aspects and grassroots initiatives.

Cities and regions have an important role in promoting, facilitating and enabling circular economy strategies. Several cities (e.g. Paris, Brussels, London and Amsterdam) develop strategies that identify priorities and promote a number of concrete projects; act as intermediary actors and facilitators connecting stakeholders that operate along the value chain and provide the regulatory and financial conditions for circular economy to happen. Compared to upper levels of government, cities and regions are laboratories for innovation and pilot-test experimentations. In fact, because cities make key decisions on public services, transport, solid waste, the built-environment, water and energy, they can contribute to circular approaches by developing a forward-looking vision promoting synergies across sectors (water, waste and energy). Moreover, subnational governments play an important role in public investments. Worldwide, in fact, they are responsible for 9% of GDP and 40% of public investment – 57% in OECD countries (OECD, 2018). By 2030, USD 6.3 trillion per year will be needed for global investments in energy, transport, water and telecoms to support economic growth and development. Cities and regions need to plan the future of infrastructure to avoid linear lock-in.

Circular economy needs coordination across people, policies and places. Circular economy should be a shared responsibility across all levels of governments: co-ordination across national and subnational strategies can help clarify concepts and definitions, as well as identify objectives. Co-ordination across city departments is needed to avoid greys areas and overlaps. Collaboration across private, public and non for profit sectors can help build knowledge, raise awareness, boost innovation and social acceptability. Circular economy also provides the opportunity to foster complementarities across policies. As such, environmental, regional development, agricultural and industrial policies should provide complementary approaches to enhance planning, e.g. for the use of water and energy in the built-environment or the reuse of food waste for agriculture purposes. Often, these complementarities are overlooked, and the lack of a systemic approach might lead to the implementation of fragmented projects both in time (over the short or medium run, rather than sustainable long-run policies) and in space (isolated initiatives, experiments and pilots). In addition, the issue of scale is key for the circular economy in cities: it is important to adopt a functional urban approach at the appropriate scale. Cities are not isolated systems, but a space for inflows and outflows of materials, resources and products, in connection with surrounding and more distant areas. The reflection on the broader benefits and costs of circular economy strategies beyond the administrative boundaries of cities requires a discussion on the interlinkages across urban cores, neighbouring and rural areas.

Although being not a new concept, circular economy is a new driver for economic, social and environmental sustainability. Cities and regions have different reasons to approach this new socio-economic paradigm, different needs and capacity. Understanding the benefits, the opportunities as well as the costs and the risks is key to build up the cities and the regions of the future. The High Level Experts' Workshop on "Managing transition to a circular economy" aims to shed lights on current and expected practices for circular economy in regions and cities . Results of the Workshop will help shape the implementation of the EU's cohesion policy for the next programming period.

**Questions to address: How to manage the transition to a circular economy?**

- Why is the circular economy emerging as a new paradigm at this point in time?
- What are the new features that the circular economy is adding to the debate? What makes this transition different?
- How can regional policies help in making the transition to a circular economy happen, while harnessing the potential of this transition and limiting the downsides, and avoiding lock-ins?
- What are the challenges and opportunities for cities and regions resulting from the transition to a circular economy?
- What best practices are available for managing transition to a circular economy and what are the underlying factors?
- How best to foster collaboration across sectors and levels of government?
- How can EU and national policies help regions during this transition?
- How can broad range of actors and stakeholders (businesses, consumers) be engaged in the process?
- How to enhance a functional approach across urban and rural areas within the circular economy?