INSTITUT
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Summary

What is the circular economy?

The circular economy transition embodies the actions and transformations which allow the different economic players (including the final users) to pursue value creation by reducing negative externalities as well as the resources that only exist in limited amounts.

Thus, the concept meets the perspective of a sustainable economic growth and relies both on innovation and on the collaboration of all economic players. This transition calls for a change, from a linear model of society based on "extraction, production, consumption, waste", to a circular model that turns waste into resources.

What are the expected benefits of a circular economy transition?

The benefits of the circular economy transition can be appreciated at three different levels:

- At the global level, the circular economy enables the disconnection of growth from the economic value of raw materials consumption and energy resources. Hence, it generates less negative externalities and produces environmental benefits;

- At the local level, it enables to relocate some production, offers new employment opportunities and improves the trade balance.

- Regarding the economic players, it is a source of many benefits for businesses as well as for consumers: for the first, it ensures access to resources and hedge against price volatility while creating new opportunities; for the last, it enables to shift from a consumption based on use to a consumption based on possession, therefore giving access to innovating services at low prices.

How far have we come?

The development of circular economy first requires to measure circularity, at both the macroeconomic and the microeconomic level.

Thus, establishing a picture of the circular economy calls for the adoption of objective and reliable indicators.

At the macroeconomic level, it enables to evaluate the relation between GDP growth and domestic consumption of raw materials or greenhouse gas. Some countries lead the way, such as Denmark; while others are committed to improvement, such as China that introduced an indicator of circularity in its last national five-year plan.

Circularity can also be measured at the level of economic sectors, even within companies. If these measurement tools are more diverse as they meet the economic player's reality on the ground, they attest to the increasing interest shown to these new logics of value creation, as these logics bring about innovation profusion and allow new synergies to develop.

Going further

The circular economy transition faces many impediments which can be regulatory barriers or market mechanisms that reject the logic of circularity.

Thus, taking negative externalities into account is a prerequisite to link economic signals with the social and environmental benefits provided by the circularity of some models, and to consequently guide the decisions and the behavior of players. In the same way, some regulations are only adapted to linear models and hinder the development of circular models.

Finally, the development of circular economy is undermined by social and cultural factors which should be addressed in an objective manner. The demand for raw materials and circular products should be stimulated to enhance its attractiveness to economic players.

PROPOSALS FROM THE INSTITUT MONTAIGNE

Proposition n°1: promote the circular economy transition on an international level as part of the solution to global environmental issues.

Proposition n°2: develop harmonised measurement tools at the European level and set mid-term goals

- At the level of France and Europe, develop a single indicator or a small number of indicators for a circular economy transition within a given geographic area;
- ensure that these indicators are measuring the overall circularity of a process (and not merely one phase in order to avoid adverse effects) adequately assessing the different resources with regard to how scarce they are, and fairly taking into account local consumption and exports;
- measure the current level for these indicators and set clear and realistic goals for 2030 and 2050.

Proposition n°3: remove regulatory barriers which stall the adoption of the circular economy.

- create a real internal market for recyclable and recycled raw materials;
- clarify and adapt regulation concerning new circular economy initiatives;
- promote proactive and innovative business methods, by standardising the use of « green deals » at the French and European level.

Proposition n°4: set a price for negative externalities to create a level playing field for the circular economy

- provide medium-term visibility on the price of carbon, at least at the European level if not globally;
- consider the possibility of promoting other types of externalities, whether positive or negative, such as impacts on biodiversity;
- increase and harmonise the cost of landfilling throughout Europe in order to promote recycling, reuse and energy recovery.

Proposition n°5: increase funding opportunities for circular economy transition projects.

Proposition n°6: build a comprehensive strategy for France

- in the context of the legally enacted national strategy for a circular economy transition, define priority sectors and an action plan, and determine expected benefits in the medium (2030) and long term (2050);
- determine an appropriate organisation system at the ministerial level;
- include and engage local authorities in this strategy.

Proposition n°7: promote innovation and the evolution of a circular supply.

- endorse training for the skill areas and professions of the circular economy;
- encourage the creation of hubs and accelerators specialised in circular economy technologies;
- provide funding for the most socially technologically or structurally innovative projects.

Proposition n°8: stimulate demand for the circular economy

- launch an awareness programme for citizen-users;
- inform industrial consumers;
- promote the circular economy through public procurement;
- develop incentives at the local level, notably for recycling.