



Accelerating the transition to Circular Economy: Improving access to finance for CE projects

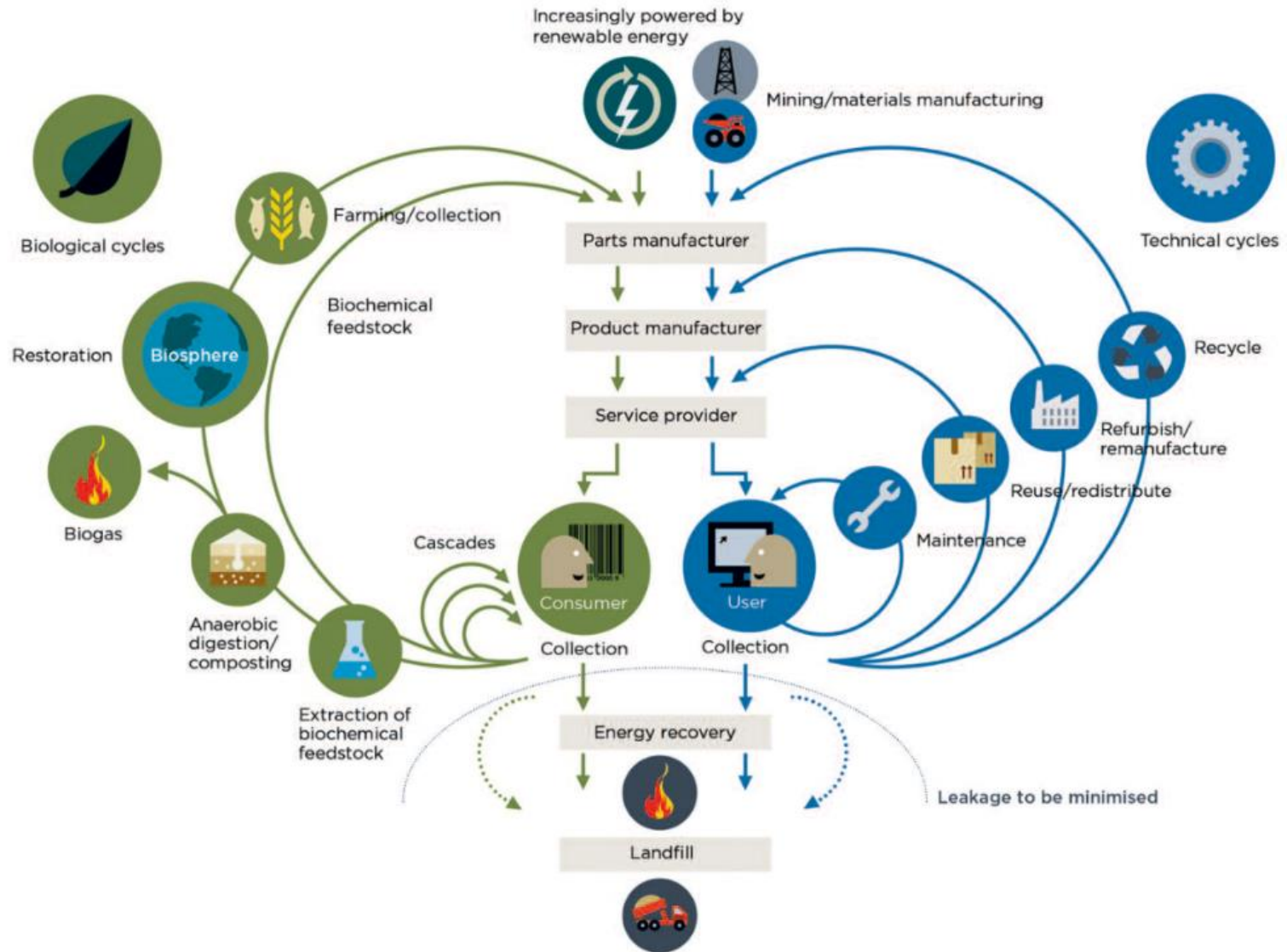
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Eco-innovation

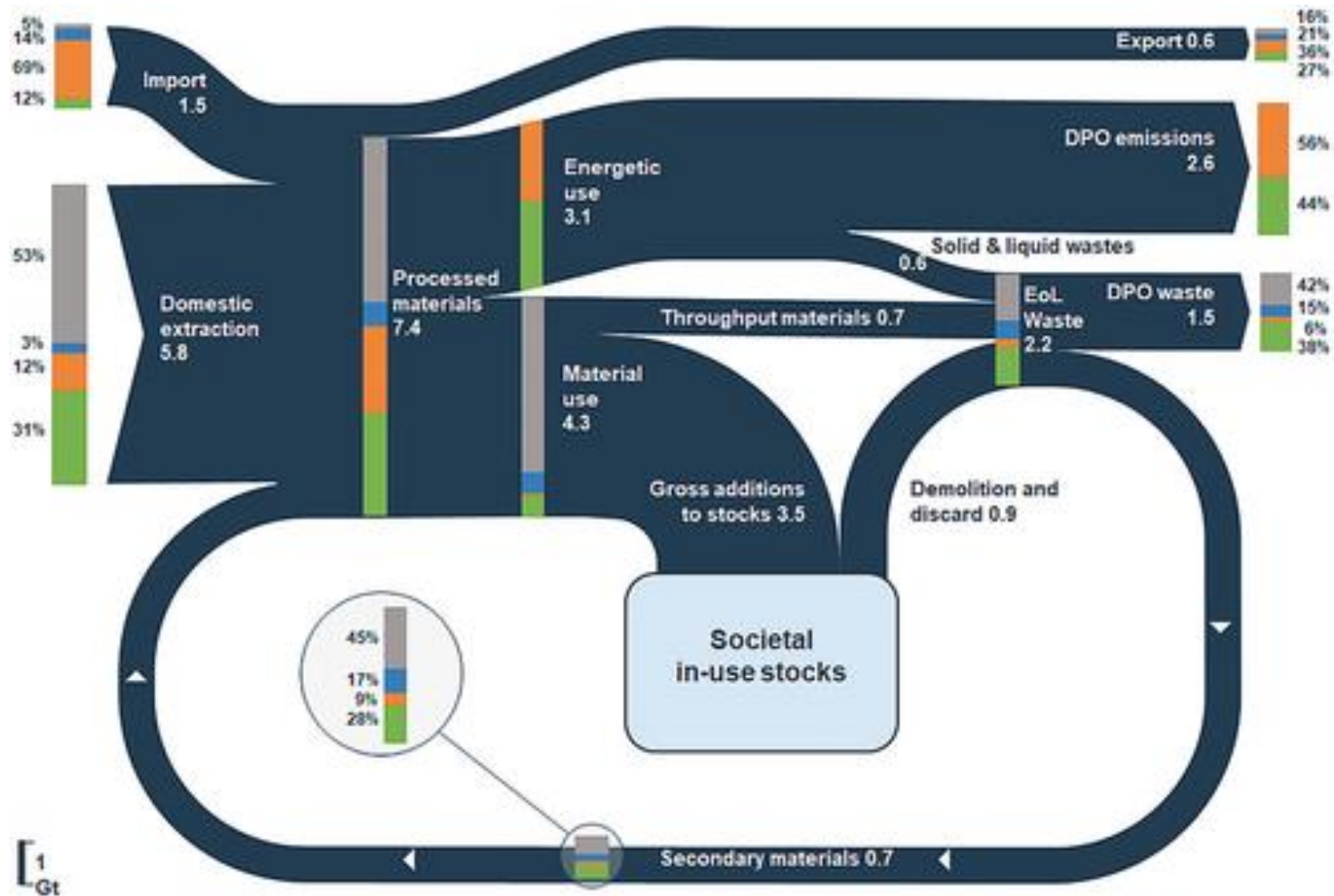
Directorate-General for Research and Innovation

European Commission

Circular Economy conceptual model



Material throughput of EU economy



Material flows true to scale in Gt/year (billion tons/year) in 2014

Nonmetallic minerals
 Metal ores and metals
 Fossil energy materials/carriers
 Biomass materials/carriers

Benefits of circular economy

- Reduced environmental impact of resource use
- Reduced exposure to hazardous substances
- Reduced dependency on material imports
- Maintaining the value of materials in economy
- Increased competitiveness of circular businesses
- Job creation (high and low skill)
- **Underlying principle: CE must achieve simultaneous environmental and economic benefits**

Systemic transition requires coordinated actions

- **Enabling technology**
- **Material/product innovation**
- **Innovative business models**
- **Supporting infrastructure**
- **Market organisation**
- **Changes in consumer behaviour**
- **Governance at different scales
(urban, regional, national)**
- **Financing (estimate 320 billion until
2025)**



Access to finance

Dealing with the risk

- Will the CE technology work?
 - Will consumer buy products/services?
 - Is there demand for secondary materials?
 - Will partners in the supply chain collaborate?
 - How will prices of materials/product develop?
- ⇒ **Impact on revenue generation**
- ⇒ **Perceived high financial risk**
- **The uncertainties and barriers have to be addressed**
 - At the project level – increase financial viability of CE projects
 - At the investment level – compensate the risk of investor



The recommendations are addressed to three stakeholders groups:

- policy makers,
- financial institutions
- project promoters

Barriers/Incentives

- Level playing field
- Value-chain collaboration
- Long-term value creation incentives
- Market participation
- Integration of public good
- Finance knowledge build-up
- First mover's

Policy makers in the financial policy area

- Develop reporting standards for the linear risks and incorporate them into standard accounting practices.
- Ensure that linear risks are sufficiently evaluated and disclosed.
- Develop taxonomy of circular economy businesses and projects, and criteria and benchmarks of environmental performance of circular economic activities
- Establish technical and financial advisory services
- Establish a dedicated proportion of finance within the InvestEU financial instrument

Policy makers in non-financial policy area

Create a favourable framework conditions for circular economy projects through specific policy actions:

- Develop metrics and indicators
- Set targets, also for ending landfilling
- Map and remove subsidies to linear model and consider setting up financial/fiscal incentives for circular economy.
- Ensure that EPR schemes support eco-design by modulating financial contributions paid by producers
- Set the benchmarks for circular aspects of products on the EU market. Reward the best performing products via fiscal and reputation tools.
- Fitness check all relevant policies and regulation.

Policy makers in non-financial policy area

Public authorities as facilitators of a CE

- Analysis of CE potential at different geographical scales. Develop strategies and link them with regional development strategies
- Collaborative platforms for collaboration within and between value chains
- Enable public authorities to ensure financial viability of circular economy projects
- Create markets: e.g. via public procurement.

Financial sector

- Develop definitions, taxonomy and tools to measure ‘circularity’ of projects by setting-up multidisciplinary Working Group of recognised experts with a clear mandate and working plan.
- Analyse the risk of linear business models and adjust credit risk assessment methods to take into account linear risks.
- Establish risk sharing financial instruments and
- Create a pool of experts available for financial institutions to assess technological risk of innovative circular technologies.
- Clearly label financial instruments fit for financing circular economy projects
- Increase the awareness and knowledge of circular economy within the financial sector.

Project promoters

- Identify circular sources of revenues and update organisation's strategy
- Take part in collaborative communities of circular economy practices to identify opportunities and form business partnerships for implementation of circular economy business models or projects.
- Disclose environmental and social benefits through credible, standardised methods.
- Increase the internal capacity of the organisation to conceive and implement circular economy projects through training of staff and use of external advisory services.

Conclusions: three priorities

- Characterise circular economy projects through metrics and taxonomy.
- Promote and clarify the enabling role of public authorities
- Capacity building for a transition towards a Circular Economy

Thank you for your attention

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