

Position Paper

Transition towards a circular economy for a more competitive, sustainable and inclusive Europe

According to Commission's Communication on "Closing the loop – An EU action plan for the Circular Economy" (COM(2015) 614 of 2.12.2015)¹:

"The transition to a more circular economy, where the value of products, materials and resources is maintained in the economy for as long as possible, and the generation of waste minimised, is an essential contribution to the EU's efforts to develop a sustainable, low carbon, resource efficient and competitive economy. Such transition is the opportunity to transform our economy and generate new and sustainable competitive advantages for Europe.

The circular economy will boost the EU's competitiveness by protecting businesses against scarcity of resources and volatile prices, helping to create new business opportunities and innovative, more efficient ways of producing and consuming. It will create local jobs at all skills levels and opportunities for social integration and cohesion. At the same time, it will save energy and help avoid the irreversible damages caused by using up resources at a rate that exceeds the Earth's capacity to renew them in terms of climate and biodiversity, air, soil and water pollution".

The transition to a more circular economy creates significant investment opportunities

At present, Circular economy investment opportunities remain unrealised. The current production methods and use of products and resources cost in the EU about € 7,2 trillion annually, mainly in the mobility, food and built environment sectors². A higher pace in the transition towards circular economy could reduce net resource spending in the EU by € 600 billion annually, while this transition could potentially increase the EU GDP by 7% by 2030³.

According to a report elaborated by "Systemiq", SUN Institute and Ellen McArthur Foundation⁴, "ten attractive circular innovation and investment themes, totalling €320 billion through to 2025, have been identified and could be unlocked with modest policy reform or action by industry."

Cities provide a favourable environment for a circular economy development. The Cohesion Policy post 2020 should seize the opportunity and contribute substantially and in a sustainable way towards this transition.

The actions and efforts around circular economy in the EU to date suggest that the shift towards a circular economy is expected to start in urban areas where the economic, social and territorial impact is greater and the conditions for integrated interventions are met. The circular economy tends to progress very fast driven by the necessity towards smart growth which ensures sustainability and social inclusion at local level, and starts to become one of the most important challenges for EU cities after 2020 as it seems to provide competitive advantages at global level.

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52015DC0614>

² McKinsey&Company, Europe's circular economy opportunity, available link on <https://www.mckinsey.com/business-functions/sustainability-and-resource-productivity/our-insights/europes-circular-economy-opportunity>

³ EU, Closing the loop: New Circular Economy Package, available link on [http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/573899/EPRS_BRI\(2016\)573899_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/573899/EPRS_BRI(2016)573899_EN.pdf)

⁴ Systemiq, SUN Institute and Ellen McArthur Foundation, Achieving "Growth Within", 2017, available link on <https://www.ellenmacarthurfoundation.org/assets/downloads/publications/Achieving-Growth-Within-20-01-17.pdf>

Given that the United Nations also emphasizes the shift towards a circular economy through the Sustainable Development Goals, circular economy is expected to become even more important globally in the coming years. Within this context, the circular economy rationale at EU level can constitute an effective tool to achieve these targets.

In this context, it is very important for the European Union's Cohesion Policy to seize the opportunity and mainstream the circular economy as an eligible field for funding in its entirety and facilitate opportunities for circular economy innovations in other areas of Cohesion Policy funding, in order to ensure the required impetus of relevant investments towards the transition to circular economy. The European Commission also recognizes the importance of the Cohesion Policy funds in making the transition towards a circular economy possible. More specifically, the European Commission in its "Action Plan for the Circular Economy" highlights the following:

- *"The development of the circular economy will also require public and private sources of financing to scale up improved technologies and processes, develop infrastructure and increase cooperation between actors in the value chain. Significant support for these objectives will come from EU funding programmes such as Cohesion Policy, LIFE and COSME. For example, Cohesion Policy funds are directed towards a growing number of programmes supporting the circular economy, including support for reuse and repair, improved production processes, product design and SMEs."*
- *"The Commission will step-up its action to mobilise stakeholders on the circular economy and in particular for the implementation of this action plan. It will also carry out targeted outreach to help the development of circular economy projects for various sources of EU funding, in particular Cohesion Policy Funds."*

The framework for the implementation of EU Cohesion Policy (currently the European Structural and Investment Funds - ESIF) may provide all the options and opportunities for an effective and efficient implementation of innovative and sustainable projects/ investments aiming at social, economic and territorial cohesion in the EU. This framework is proved over the programming periods to be one of the most appropriate means to enable major policy innovations across EU, due to the magnitude of the financial resources that can be mobilized for related investments, as well as the financial and legal certainty which provides.

Thus, given that the current regulatory framework governing the ESIF 2014-2020 does not explicitly and holistically support circular economy, a clear reference and focus on this concept across different policy objectives at least at urban level in the post 2020 regulatory framework is considered a necessity. This could decisively boost related investments, which in turn can contribute to the achievement of Cohesion Policy objectives and in particular of territorial cohesion, as well as to the achievement of other Union goals, ultimately contributing to investments with high European value added.

More specifically, the provisions in the regulatory framework for EU cohesion policy post-2020 should include as one of the main priorities in its Policy Objectives, the transition towards circular economy as such and in particular in urban areas where the potential is the greatest. Moreover this focus may be enhanced by encouraging the introduction of circular economy concept and related actions to several instruments and strategies such as the current Research and Innovation Strategies for Smart Specialisation (RIS³) and the various Integrated Territorial Instruments like Sustainable Urban Development Strategies, etc.