



DG ENVIRONMENT

Second EU-IEF Energy Day, Tuesday 13 February 2018, 9:45

Introduction to the EU Circular Economy strategy and its benefits

- Ladies & Gentlemen,
- Dear friends,
- It is my honor and a real pleasure to take part in the Second EU-IEF Energy Day here in Riyadh and to present you our Circular Economy Strategy and its benefits for the EU.
- Circular Economy has long been a component of environmental policy in the European Union, but **2015 saw a major step forward**.
- When the European Commission adopted its Circular Economy Package, it became a central plank of our industrial policy.
- Many parts of the Commission were involved, and the result includes not just legislative proposals on waste, but an Action Plan with 54 initiatives covering the whole life cycle of products and services.
- This means that the Circular Economy is now very much a part of our broad economic strategy.
- Our long-term aim is to rethink our whole economic model.
- With this Package we are saying: we need to grow economically, but we cannot rely on a relentless carbon and resource-intensive growth path as we did in the past.
- We need growth, but this cannot come at the expense of our environment.
- More than anything, we need to move away from old patterns.

- We need to change the way we design products, processes and services to optimise resource use during the production and delivery of goods and services as well as during their consumption.
- **In a nutshell, we need to maximize the value of resources and minimise waste.**
- In this way, we can push innovation, stimulate global competitiveness and find new solutions to long-standing environmental degradation issues.
- **Circular Economy is already a concept that brings benefits to society, the environment and businesses.**
- When discussing the need for a transition to the Circular Economy, we however need to keep in mind several elements.
- The ambitious goals of the **Paris Agreement** require a re-invention and transformation of our economies and life styles.
- The **Agenda 2030 with its Sustainable Development Goals** provides us with an inspiring blueprint to build a sustainable, climate resilient and inclusive future.
- But, challenges persist and they risk hampering the progress toward the future we want.
- The world's population will continue to grow and the world economy will grow even faster.
- **To give you a few figures:**
 - World population is projected to reach 8.5 billion by 2030 and 9.7 billion by 2050¹.
 - By 2030, the global middle class is expected to reach almost 5 billion.
 - Urban areas, home to more than 50% of the world's population, already account for between 60% and 80% of energy consumption and generate as much as 70% of the human-induced greenhouse gas emissions.

¹ UN News Centre, July, 2015

- Rising energy demand will further increase greenhouse gas emissions and in turn require a significant increase in low-carbon electricity generation.
- Energy production also requires water extraction, which currently account for 15% of the world's total withdrawals.
- Waste is often an economic burden. The global cost of dealing with waste is expected to rise: from \$205 billion a year in 2010 to \$375 billion by 2025, with the sharpest cost increases in developing countries².
- Almost 30% of all food produced globally for human consumption is lost or wasted - around 1.3 billion tons per year. This means that 1.4 billion hectares of land (28% of the world's agricultural area) is used annually to produce food that is lost or wasted³.
- 33% of soils are moderately to highly degraded due to erosion, nutrient depletion, acidification, salinization, compaction and chemical pollution.
- The demand for water is expected to exceed supply by 40% in 2030⁴. Meanwhile, it is estimated that well over 80% of wastewater worldwide (over 90% in some developing countries) is released into the environment without treatment⁵.
- If we were all having western lifestyle, 4 planets might not be enough.
- Behind these pressing challenges lies an opportunity for change, innovation and transformation.
- In this regard, **resource efficiency** and **circular economy** are paramount allies.

² *What a Waste: A Global Review of Solid Waste Management*, by Hoornweg and Perinaz Bhada-Tata contribution for the 2012 World Bank report.

³ Food wastage- key facts and figures (FAO website).

⁴ Governments will be forced to spend \$200 billion per year on upstream water supply as demand outstrips supply - up from historic averages of \$40 to \$45 billion. *Policy Options for Decoupling Economic Growth from Water Use and Water Pollution*, UNEP/International Resources Panel, 2016

⁵ Wastewater The Untapped Resource, UN World Water Development Report, 2017.

- Data by the **International Resource Panel** speak for themselves: by 2050 policies to improve resource efficiency and tackle climate change could reduce global resource extraction by up to 28% globally, cut global greenhouse gas emissions by around 60%, and boost the value of economic activity by 1%.
- Raising resource productivity through improved efficiency and reducing waste through measures such as reuse, recycling and remanufacturing can greatly lower both resource consumption and greenhouse gas emissions. For instance, remanufacturing alone can reduce greenhouse gas emissions by up to 50 per cent, over new products. Plus, innovative decoupling technologies could provide resource savings of USD 2.9 to 3.7 trillion each year by 2030 globally. Such measures would also bring other benefits such as less pollution and fair access to resources.
- Another example: a shift from recycling to refurbishing light commercial vehicles, where collection rates are already high, could save material inputs by €6.4 billion/year (about 15% of material budget) and €140 million in energy costs and reduce greenhouse gas emissions by 6.3 million tonnes.
- When speaking about energy savings, we already have a success story in Europe: our policies have resulted in halving the energy use in buildings since 1980s.
- Our energy efficiency have furthermore positive impact on our citizens: it has been estimated that our policy regarding energy efficient appliances saves €100 billion annually, or €465 per household in average
- The EU strongly believes in the strategic role of sustainable management of natural resources to delivering on its climate, environment and economic goals.
- Our vision is the one of a **low-carbon, resource-efficient and circular economy** and it serves as a lighthouse to lead governments, companies and

citizens towards a sustainable future of shared prosperity for the people and the environment.

- **Meanwhile, our individual and collective responsibility as both consumers and producers has also enormously increased.**
- There is still a need to rebalance the cost of labour and the costs of resources and pollution by pricing externalities, using taxation and other incentives for actors to favour paying for labour to save materials, rather than for materials to save labour.
- **Let me take the example of the EU:**
- We have found that changing our economy in this direction could bring net savings of €600 billion for EU businesses, or 8% of their annual turnover.
- It would create 580,000 jobs.
- It would also reduce greenhouse gas emissions by up to 4% every year.
- **The circular economy concept might appeal most to manufacturing sectors** that rely on a high input of material resources.
- Sectors like the machinery, engineering, or chemical industries. But no sector is excluded. Circular Economy applies to all.
- **SMEs are essential:** beyond the effects of cost reductions, the circular economy can also be the source of new business opportunities for other sectors.
- In the EU, we have come to consider waste no longer as waste, but as a **wasted opportunity**.
- That's why we must aim to a zero waste society.
- In the EU, we are overhauling our waste legislation to make sure valuable resources are reintegrated into economic activity and landfilling is truly only the very last resort.
- **We now see a growing demand for new business activities like recycling, repair, upgrading, and remanufacturing.**

- We are already observing a switch in consumer demand in favour of more durable, repairable, and more resource-efficient products which do not become waste too soon.
- Making sure that our companies, especially SMEs get the financing they need to move to the new production processes and business models I have described, is another area we are working on.
- **Our financial institutions and banks are slowly waking up to the change, too slowly.** Some can already see new opportunities and are developing new competences to assess companies and investments that take circularity into consideration.
- The private sector is also active in the development of environmental standards and certification schemes, while many companies have integrated corporate social responsibility into their company strategies.
- **CSR makes business more sustainable and innovative,** which may also have a positive contribution to a more sustainable and circular economy.
- **Clearly, innovation is key for the circular economy** - new technologies, products, production techniques and business models will be essential to enable the transition.
- The demand for innovations and know-how on how to increase 'circularity' will not just be growing in Europe - resource-poor economies in the world will want to jump on this band-wagon.
- This will certainly be reflected in international trade and the accelerating development of green technologies as well.
- **The transition to a resource efficient economy must be led by forward-looking actors: countries, the private sector, researchers, innovators and investors.**
- Various EU Funds may be mobilised to support investments in developing a circular economy.

- The European Research and Innovation programme Horizon 2020 will invest **€41 billion** between 2018 and 2020 on a major call on ‘**Connecting economic and environmental gains – the Circular Economy**’. This is an additional call to the research supported on climate action, including decarbonisation.
- The Horizon 2020 programme is open to all kinds of organisations in the world, meaning that all universities, research centres, authorities or NGOs can benefit from EU's support to develop and implement circular economy solutions.
- We have set up a **Circular Economy Financing Platform** that will initially seek to raise awareness of the business opportunities around circular economy and to enhance available advisory services to make more projects bankable. SMEs will be the main beneficiaries of these advisory services. Work towards a dedicated financial instrument may follow.
- **Furthermore, the landmark agreement on the Sustainable Development Goals (SDGs)** and the Paris Agreement on Climate change created a widespread understanding that the world economy has to change.
- **We should continue to show leadership throughout the implementation of the 2030 Agenda in the next 15 years.**
- The world is more interconnected now than ever before and so are the challenges we face.
- Universal commitment and global partnerships are a must.
- The EU has a strong starting position with regard to sustainable development, but we are also aware that strengthened implementation and further focused action in all areas will be required to implement the full Agenda by 2030.
- **Changing global mindsets means to understand that environment can be a source of economic growth and jobs, and certainly never a mere barrier.**

- In itself, the 2030 Agenda was a huge achievement. But it was of course only the beginning.
- The **International Resource Panel**, for example has demonstrated that greater resource efficiency is directly relevant to achieving 12 out of the 17 SDGs.
- Now comes the harder part, putting it into action.
- To date, the European Commission has made solid progress in the implementation of the EU Circular Economy Action Plan.
- **One of our key initiatives is the legislative package on waste. In December last year the European Parliament and the Council reached provisional agreement and the new legislation is now very close to adoption.**
- Once it enters into force, the new waste legislation will put the right instruments in place to stimulate the circular economy, such as enhanced separate collection.
- According to the EU legislation, all EU Member States already had to ensure separate collection of paper, glass, metal and plastics by 2015.
- The new legislation would introduce mandatory separate collection of bio-waste.
- It would also enhance the role of extended producer responsibility and encourage the use of economic instruments such as landfill and incineration changes.
- The provisional agreement also endorses the Commission proposal for setting new long-term targets, with a 2030-2035 perspective:
 - 65% target for the recycling of municipal waste, and
 - 10% target to reduce landfill of municipal waste,
 - as well as ambitious targets for the recycling of packaging waste and its material specific streams.

- We will have a more harmonised and stricter calculation method and simplify the procedures, mainly in terms of reporting.
- We also address waste prevention, focusing food waste, textile, waste of electrical and electronic equipment (WEEE) and furniture.
- We are confident that it will make a real difference and kick-start investments in circular economy solutions and innovations all across Europe.
- The benefits to the EU of the waste proposals alone are estimated as follows:
 - Economic benefits of €24.5 billion.
 - Creation of an additional 170,000 jobs in the waste management sector alone (above the 400,000 from implementing existing EU waste legislation).
 - Full implementation of the measures in the revised EU waste legislation package could deliver marine litter reductions of 13% by 2020 and 27% by 2030.
 - Improving the resource efficiency framework targeted at SMEs alone could lead to savings of as much €3.6 billion every year, with a high impact on competitiveness.
- **Another key initiative, the Plastics Strategy proposed in January 2018** is set to deliver a key contribution to the transition towards a circular economy and to the modernisation of our industry.
- The Strategy addresses the whole value-chain, creates synergies between economic and environmental goals and aims to bring everyone on board, recognising that the private sector, national, regional, and local authorities and citizens will all need to be mobilised to achieve results.
- The Strategy aims to foster a new plastics economy, where reuse and recycling activities are truly integrated in the production chains, delivering greater added-value and prosperity in Europe.

- By 2030, all plastic packaging should be recyclable. The Strategy also highlights the need for specific measures, possibly a legislative instrument, to reduce the impact of single-use plastics, particularly in our seas and oceans.
- Meeting ambitious goals on plastics recycling alone will require an estimated additional investment of between €8.4 and €16.6 billion, leading to the creation of 200.000 new jobs.
- By pursuing these aims, the Strategy will help deliver the Energy Union's vision for a low carbon, energy efficient economy and will provide a tangible contribution to the implementation of the 2030 Sustainable Development Goals and the Paris Agreement.
- In terms CO₂ savings, recycling only half of all plastics waste generated in the EU each year would amount to taking off the roads more than 13 million cars.
- I should also mention:
 - A legislative proposal on fertilisers.
 - An eco-design work plan.
 - The establishment of an EU platform on food losses and waste.
 - A Communication on waste-to-energy processes.
 - A Communication on options to address the interface between chemical, product and waste legislation that assesses how the rules on waste, products and chemicals relate to each other.
 - A Monitoring Framework to measure the progress towards a circular economy at EU and national level. It is composed of a set of ten key indicators that cover each phase – i.e. production, consumption, waste management and secondary raw materials – as well as economic aspects – investments and jobs - and innovation.
 - A Report on Critical Raw Materials and the circular economy that highlights the potential to make the use of the 27 critical materials in our economy more circular.

- Finally, the **potential role of treated wastewater reuse** is an alternative source of water supply. Water reuse encompasses significant potential in terms of the creation of green jobs in the water-related industry.
- In the context of the EU Circular Economy Action Plan, the European Commission committed **developing a number of actions** to promote further uptake of water reuse at EU level. These actions will focus on overcoming the main barriers to the untapped potential for water reuse wherever it is cost-efficient and safe for health and the environment as identified in the policy context.
- The Package also includes plenty of suggestions on how to achieve the SDGs, with measures for the full life cycle of products.
- From design, through consumption, better information to consumers, right up until the final stage, when products reach the end of their lifecycle.
- An increasing number of European companies are putting these models in place.
- We are doing what we can to encourage them and to help others take the same path.
- One way to do this is by sending a strong signal about the benefits of investment in the circular economy.
- We use a combination of policy levers to implement the Package.
- Some new legislation is needed but we are also using market-based instruments and promoting innovation and investment.
- **Ladies and Gentlemen,**
- To achieve our objectives we need coalitions between States, civil society and the private sector, with the participation of businesses and all stakeholders.
- Through the circular economy model we have the opportunity of reimagining and redesigning the global economy so that it can function differently.

- Resource productivity has the potential to fundamentally change the way we produce products and services as well as create more value on both a micro and macro level.
- The Circular Economy is a blueprint for long-term sustainability and economic prosperity for companies and countries alike.
- The Circular Economy is therefore not only a positive agenda for bilateral cooperation between the EU and the Kingdom of Saudi Arabia.
- It is also the best hope to develop sustainability.
- If the EU and the Kingdom of Saudi Arabia work together and assume their global responsibility, we can together lead the efforts towards a more sustainable development for our planet.
- The coming years will be critical. If we work together, we can make the difference.
- Thank you for your attention.

(3.019 words)