PES

SOCIALISTS & DEMOCRATS

The Circular Economy

An economy that puts people first and respects the planet

FOREWORDS

Sergei Stanishev
PES President

As socialists and democrats, we have been strong advocates of ambitious climate action and a green transition complemented by a social dimension. The climate crisis is a global challenge that urgently requires our attention. Rapid loss of biodiversity, global warming and air pollution are becoming long-term threats for the life of our planet, showing us how flawed our relationship with nature is. During the European elections in 2019, the PES called for a European Green Deal that will put the EU on the path towards creating a more resilient future. It is now time to implement it and part from activities that are harmful for our planet.

It has become clear that the speed at which we extract our natural resources, produce, consume and dispose of products has not been adjusted to the limits of our planet. Critical resources are becoming scarce and more expensive, we are generating more waste than ever and as a result, people's wellbeing is deteriorating. The linear economic model is not suitable for addressing the needs of the nature nor the needs of the people. We must implement systemic changes, putting long-term sustainability as a driver of our development. We can decrease our consumption while still benefiting from durable, reusable, repairable and safe products. It does not mean we will have more limited choices, but will make better choices, more informed policies, smarter products, smarter business models and have more technological and social innovations.

Making Europe more resilient and ensuring that future generations can benefit from a healthy environment is our imperative. We must guarantee that the strong instruments and measures proposed will be followed-up with action swiftly. We must restrain neoliberal market forces to create a more resilient economy allowing people to profit from related ecological, economic and social benefits. Sustainability throughout the production and supply-chains will benefit the environment by acknowledging that our resources are limited, putting people first in the transition and reducing inequalities. It is time to step up our actions and lead towards achieving a true circular economy, turning this crucial chapter of the European Green Deal into reality.

Javi López
Chair of the PES Environment,
Climate Change & Energy Network,
Member of the European Parliament

The climate emergency we are facing leaves us no time to waste. Our political family has been clear on the need to transform our economies and create a new sustainable economic model that would provide enabling conditions for our planet to thrive. We have committed ourselves to achieve the objectives of the Paris Agreement and to realise the United Nations Sustainable Development Goals. The European Green Deal is a big step forward, and we must continue working hard until we implement all of its building blocks, including a shift towards a circular economy.

Circular economy has a major potential to reduce our production and consumption and preserve natural resources. We can turn our waste into resources, increase recovery and recycling rates throughout the sectors and regions, strengthen the repair and refurbishment sector to create decent jobs on the local level throughout the EU, and invest in green businesses and innovative solutions. Circularity and sustainability must be incorporated in all stages of the value chain.

Making a shift comes with great challenges. Circularity is not just about the economy, industry and the need to produce responsibly. It is also about the everyday choices we make, the way we live and consume, from the clothes we buy, to how our houses are built, the amount of waste we produce and the quantity of water we use. To evolve together towards a circular economy, we must shift our patterns so as to consume more consciously and more sustainably.

This PES publication sets out our proposals on how we can confront environmental challenges and deliver socio-economic benefits, highlighting the dimensions that are most relevant from a socialist and social democratic perspective. The challenges of our times must be used to elevate Europe's resilience. These are the principles we seek to follow to achieve a transition to a circular economy that will work for the planet, for workers and all citizens, for big and small businesses, for organisations, globally and locally, in an equal manner. In the face of the economic, environmental and health crisis we are experiencing, we cannot slow down our efforts. Instead, we must push for change now.

Yonnec Polet
PES Deputy Secretary General

There is no doubt that the current economic model is neglecting the strong links that exist between the wellbeing of people and nature. With half of the greenhouse gas emissions and more than 90% of biodiversity loss and water stress coming from resource extraction and processing, we are getting dangerously close to breaking this link. As socialists and democrats, we are committed to creating an economy that takes care of our nature. One way of doing so is to shift our modes of producing and consuming towards greater sustainability for the wellbeing of present and future generations.

Our progressive vision of the future is the one that involves all citizens and benefits them in an equal manner. Fostering a just transition and moving towards climate neutrality are our goals and we must keep raising our ambitions. This is why we discussed intensively with our member parties, member organisations, NGOs and trade unions in the PES Environment, Climate Change and Energy Network, led by MEP Javi López. The new Circular Economy Action Plan, published under the leadership of the European Commission Executive Vice-President Frans Timmermans, is a central element to help us correct and prevent the harm caused by mass production that uses resources irresponsibly. Economic and social security can be guaranteed only if we create a transformational change towards less resource consumption, less waste and less environmental degradation. Circularity can serve as one of the means to achieve the EU's climate commitments and a just, sustainable, and socially fair transition.

We want to create circumstances that would allow for this change to take place. We still have an opportunity to act and we must take bold steps. Together we compiled our principles and proposals for a transition to a circular economy, one that should work for the planet, the people and the economy. This is the role that we, socialists and democrats, are taking in leading towards changes for the benefit of all citizens and our planet.

CONTENT

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”PES Manifesto 2019: We – Socialists and Democrats – must guarantee citizens’ wellbeing and ensure social and ecological progress, leaving no person and no territory behind in the green and digital transitions. Europe must move to a circular model of production and consumption that respects our planet’s limits[1].“

1 INTRODUCTION

To a large extent Europe’s current economic model is based on a ‘take-make-consume-dispose’ pattern of growth. This linear model is based on the assumption that resources and energy are abundant, available and cheap to dispose of. However, **natural resources are finite and often scarce.** Globalization, trade liberalization, and the emergence of overproduction and overconsumption around the globe is increasing competition for these **resources and their extraction causes greater environmental degradation and fragility that the poor around the globe suffer from the most.**

This ideology of short-term profit maximisation thus comes with harsh implications for workers and the environment alike. **The constant downward pressure on social and environmental standards is leading to more and more social inequalities and environmental devastation.**

As socialists and social democrats, **it has been and remains our mission to set limits to the markets where they fail to recognise the needs of people – as workers, consumers and citizens.** Setting limits means also to make the market more effective in creating a better life and a stronger economy on a healthy planet.

Following these ideas in limiting untamed market forces has made the European Union a leader in workers’ rights and environmental protection. **We pledge to continue this path of progress.**

Restricting market forces to tackle inequalities in our socio-economic system is more than a mean in itself. It is integral in challenging the injustices in our societies and providing equal opportunities, social security and prosperity. The PES vision for a European Circular Economy includes making it **socially fair with decent jobs and strong social protection for those employed in it around the globe.** The economic system of the future must unite the social and the environmental dimension, both being fundamental to achieving true sustainability. Staying within the boundaries of the planet is a precondition for our economic system to continue to grow and provide opportunities and economic and social security in the future.

Executive Vice-President of the European Commission for the European Green Deal Frans Timmermans

The circular economy can play a major part in managing the transition towards social, economic and environmental sustainability.

As PES, socialist and democrats, we have been supporting the efforts to promote further circularity in the European economic system. **The new Circular Economy Action Plan published in March 2020 by the European Commission under the leadership of Executive Vice-President Frans Timmermans, will be one central element in achieving climate neutrality, green growth and the fight for equal societies within the framework of the European Green Deal.**
We have to ensure that people's wellbeing, sustainable economic development, and the protection of the planet and its habitats – three goals routed in the same policies and mutually dependent – will be the leading narrative in tackling the upcoming challenges of the European Union.

This is why this document is outlining the PES policy proposals for the Circular Economy along the three main dimensions of the transformation it must shape: **Bringing clear benefits to workers and citizens, making our economy stronger in sustainability and respecting the boundaries of our planet.** Socialists and Social-democrats have always been leading in the fight against untamed capitalism. Achieving circularity in our economy means continuing this pathway: Fighting injustices, inequalities, exploitation and irresponsibility.

2 FOR THE PLANET

With the transition to a truly circular, carbon neutral economy the PES aims to protect the environment beyond the EU borders. The circular economy is one central tool within the European Green Deal to reduce the negative impact of raw material extraction and resource consumption. To achieve this, products have to be designed and manufactured in a sustainable and transparent way. Repairability, reusability and the possibility to refurbish products must be built-in the virgin product. The environmental footprint of products has to be monitored consistently and toxins and hazardous substances including endocrine disruptors have to be kept out of products and the recycling stream[2].

2.1. MORE THAN ONE LIFECYCLE – FROM CRADLE TO CRADLE

Numerous environmental NGOs such as the European Environmental Bureau and Friends of the Earth have called for halving the EU material footprint by 2030 through circularity in the European economic system[3]. **True circularity and the corresponding reduction of the raw material footprint can also greatly benefit the EU's fight to combat global biodiversity loss** since over 90% of disappearing biodiversity is due to extraction and processing of raw materials according to the European Commission[4].

It is obvious that reaching such a target will have tremendous benefits for the environment. The recovery of raw material from waste can significantly lower the impact of raw material extraction and save significant amounts of CO2 in the process. This process is about **changing the narrative in our industries from "from cradle to grave" to "from cradle to cradle".** Materials are given a new life in either the same kind of product or in a completely different form. This way, raw material prices could also stabilise while lowering the environmental impact of production at the same time.

When assessing the environmental impact of products, we must take into account the lifecycle of the product itself and its components as well as the raw materials it is composed of. Lowering the impact therefore necessarily means to **strengthen sustainability in all steps of the supply chains, starting with sustainability as a central design requirement** to ensure environmental and social sustainability in the endproduct as well as in the manufacturing of all its components and the extraction of raw materials. This assessment must also take into account the use of energy in the making and transport of the consumer goods and its separate parts. The European Union must monitor the impact of consumer products originating in or designated for the internal market. **In order to do so, strong benchmarking techniques and mapping tools are necessary.** A precondition to obtain and subsequently evaluate this data is increased access to information from producers which should provide all necessary data about the production condition, the energy and resources used and the impact on the environment in a transparent manner. The impact on the key indicators such as water,

soil, air and energy must be made available to assess the production impact for products in a comparable way.

The "Cradle to Cradle" design outlines the circular production ideal type. Even though the "Cradle to Cradle" approach to circularity is an ideal type and remains hard to reach in reality, it offers an ambitious alternative view into re-designing our economic system. In this ideal type, all energy used is of renewable source, materials need to be either fully reusable or of organic origin. **No materials leave the cycles and no new materials need to be added into it.** The energy used to repurpose existing reclaimed materials in new products does not stem from fossil fuels, closing the production cycle completely. **It goes beyond the conventional ideal of "reduce, reuse, recycle", where resource depletion is slowed down by lowering consumption, longer durability and feeding materials and components back into the production.** Still, waste continuous to be generated and valuable materials continue to fall out of the economic cycles. While this narrative can still serve as an entry point for consumers to better grasp the idea of circularity, the cradle-to-cradle approach goes beyond that.

Goods entering the internal market from third countries might have been produced under more environmentally harmful conditions than European regulation would permit within the EU. To prevent production from further displacement to outside the EU and subsequently lowering the effect of strict production regulation within the EU's internal market, goods entering the EU shall be assessed based on their impacts on the four indicators water, soil, air and energy. Following the foreseen introduction of the Carbon Border Adjustment Mechanism under the European Green Deal and the Fit for 55 package, a similar tax or levy for products entering the EU Single Market from third countries with less strict environmental legislation could be introduced. **This Environmental Impact Border Adjustment Mechanism should reflect the competitive advantage of those third countries and incentivise less environmentally harmful production.** This way, the European Union can protect domestic production and foster innovative business models taking into account the full environmental impact of the production process and **incentivise similar circular production methods in third countries, multiplying the effect globally.**

Proposals:

- **Increase transparency and publicly available data on resource extraction and usage impact so realistic assessments of the ecological footprint of all products entering into or being sold on the European market are available.**

- **Use the Carbon Border Adjustment Mechanism to mirror the full environmental impact of consumer goods entering the Single Market with the introduction of a Environmental Impact Border Adjustment Mechanism. The additional price adjustment added to the imported good shall include the additional carbon GHG emission but beyond that could also include the impacts on water use, soil and resource extraction.**

- **Design requirements for goods sold in the EU need to be adapted to favour those goods that are easy to repair and to recycle. Particularly valuable raw materials must be easy to reclaim from used and deposited goods.**

2.2. WASTE AS A RESOURCE

Circularity in its most effective form will ideally reduce waste to zero. The rising recycling rates in the EU already show that waste is reclaimed as a resource more and more. According to Eurostat 55% of waste excluding major mineral waste is already recycled[5]. However, a large part of these developments remains insular. While recycling in sectors such as glass, paper, organic waste and certain types of plastics is well established in some member states, the systems are not considering many other types of waste. In the case of plastic, out of the seven different main types of commercially used plastic, only three types are commonly recyclable by most conventional recycling facilities. Electronic waste remains to be one of the least recycled types of waste at 41% in 2019 while claiming one of the largest environmental footprints.

Eurostat also reports, **that despite the rising share of recycling of waste, the EU average circular material use rate is at only 12%[6].** This indicator measures the contribution of recycled materials in overall demand, pointing towards the problem that even though schemes to recycle materials from waste is rising and becoming more and more effective, the industry is not or cannot include these materials in the production of

new goods. The reasons for this low share are rooted in the manufacturing processes, when materials are joined in a way to make it impossible to reclaim them in a cost-effective way, they stem from the way our recycling system is designed, where some materials are collected in great shares while others are considered less valuable and continue to go to waste and they stem from the design of the secondary materials market, where existing recycled and reclaimed materials should meet the demand from producers. All of these factors must be addressed in order to **increase the share of recycled materials in production and thereby lowering the environmental footprint of these products.** The latest available data on Eurostat from 2016 shows that from the overall material use base, only about 16.5% of its monetary value is re-introduced into the production system amounting to 1.22 bn EUR while 3.1 bn EUR of materials will not be treated at all and 800 m EUR worth of materials are not recovered in the material waste treatment processes[7].

Untreated waste remains one of the central challenges in this area. Not only is untreated waste dropping out of the recycling system, it also pollutes the environment and might pose severe health risks to our citizens. **The responsibility for the generated waste does not stop with the disposal of it, nor can public authorities be solely in charge of guaranteeing its harmlessness.** Producers have to play their part in limiting waste and where not possible making it treatable in recycling processes.

This untreated waste has for some time been exported to third countries, exporting the challenges and the responsibilities of the EU and its Member States. Those exports have recently gone down, due to Member States own initiatives but also because third countries have restricted the import of waste. **European waste remains a European responsibility and the EU cannot continue exporting the results of its high and increasing environmental footprint to countries, which in many cases have less strict rules on treatment of waste** than the EU, thus reducing the domestic incentive to produce less waste and better treatment methods and overburdening countries with materials they cannot treat properly.

Hazardous waste poses an even greater risk to human health and the environment. There are already multiple measures in place to reduce its potential harm to the environment and to public health. The European Commission updates the list of hazardous substances which need to be kept out of the environment and receive special treatment regularly, with its latest update stemming from December 2014. The constantly changing composition of new materials for example in the building sector and in chemicals however calls for a shorter review period. **New materials after being admitted to commerce shall be dynamically added to this list** without delays instead of in the current six to 8 years rhythm[8].

The timeline of the European Green Deal outlines a revision of the EU legislation on waste for 2020[9]. The revision must include ambitious proposals on the prevention of waste, the increase of recycling rates for all materials, obligatory treatment of all sorts of waste, in particular hazardous waste and a complete ban of waste exports to outside the EU.

Proposals:

- Measures to prevent waste must take precedence over any measure related to its treatment. It is essential to minimise unnecessary waste for example in packaging of consumer products. New innovative packaging materials which are reusable, biodegradable and have an overall lower environmental footprint must be supported. However, prevention must always take precedence over reusability and biodegradability.

- New ambitious recycling targets have to be set for the EU as a whole and for individual member states, focussing on expanding both the types of recycled materials and the overall amounts. Member States and regional and local authorities must be supported in their efforts to increase the share of recycled materials.

- Special emphasis must be on increasing the share of recycled materials in products with a new more ambitious target.

- Waste exports to third countries from the EU cannot continue. The EU must live up to its commitments to be and remain the frontrunner in environmental protection and innovation. Waste generated in the EU must be treated within the bounds of European standards, this responsibility cannot be dumped on the most vulnerable in third-countries. The waste shipment directive must be reviewed accordingly.

- Hazardous waste must be kept out of the environment at all costs. The Commission document classifying waste as hazardous must be updated dynamically rather than through amendments in a fixed cycle. This document needs to be coupled to the admission of new products into the single market.

- Where possible, even hazardous waste can be collected and reused. This can be implemented through local initiatives, such as for example paint collection and reselling[10], limiting the overall necessary production of hazardous substances and cutting down on hazardous waste simultaneously.

- Waste incineration must be the last resort for treatment. No new waste incineration plats shall be co-funded with European funds, instead, those investments shall be directed to waste prevention and recycling facilities.

- The real price of waste has for the environment needs to reflect on those producing it. That is why a European Tax on Waste has to be introduced.

2.3. TOXIN-FREE PRODUCTS IN A TOXIN-FREE ENVIRONMENT

The new circular economy action plan must pay special attention to **the impact of pollutants.** Microplastics are plastic particles of a size of maximum five millimetres. They can be broadly divided in two categories: "secondary" microplastics that are the result of fragmentations from larger items, such as plastic bags or car tyre abrasion; and "primary" microplastics, plastic particles manufactured for particular applications, such as cosmetic products, or paint.

Through sewage or inappropriate disposal, those microplastics can enter the environment. Microplastics have been found in the seas, lakes, rivers and soil all around the world, and inside the bodies of a wide variety of marine organisms including invertebrates, fish, birds and mammals. They can thus, through the food chain, absorbed by the human body.

Very small (nano-size) microplastics have been shown to cross cell membranes, under laboratory conditions, causing tissue damage. They can also serve as carriers of pathogens that stick to the plastic's surface.
The UK banned the production of cosmetics and personal care products containing microplastics as of January 2018. In July 2018, a ban on the production and selling of products containing microplastics has entered into force in Sweden following an initiative by the social-democratic government under Stefan Lofven.

The European Commission in its Plastic Strategy of January 2018 announced that it will requests the European Chemicals Agency to make proposals for a possible restriction of the use of intentionally added microplastics, in line with the REACH procedures for restricting substances that pose a risk to the environment or health.

PES Lisbon Resolution: "Micro plastic particles should have no place in cosmetics, such as in face scrubs or toothpastes, as they wash into rivers and seas, where they can harm wildlife and ultimately find their way in the food chain[11]."

The circular economy has to live up to its potential to bring benefits to citizens' everyday lives. Toxic products harm European citizens; health, burden the healthcare system and hamper innovation in the development of environmentally friendly materials. The circular economy of the future has to be free of pollutants of all kinds. This includes clear restrictions for potentially toxic new materials, cutting down on existing materials in older consumer goods still in use and **keeping the recycling stream clean from potentially toxic substances.**

2.3.1. TOXIN-FREE RECYCLING STREAMS AND SAFE SECONDARY RAW MATERIALS

The circular economy model brings huge benefits for the environment and the economy, but it also presents new challenges for consumer safety. As old products and materials become the basis for new ones in the circular economy, there is a danger that hazardous materials in virgin materials will enter the recycling loop, and can contaminate the material stream. Chemicals of concern could become caught in the circle and be given a second – and third and fourth, ad infinitum – lease of life.

In a circular economy, **it takes years until banned material disappear from the recycling stream:** for instance, even after a complete ban on the use of bisphenol A in paper receipts, it will remain in recycled paper for up to 30 years.

This is why we have to address this additional risk in order to make the circular economy a success story also in terms of a toxin-free environment.

Products must be safe, whether they are made from virgin or recycled materials. Encapsulating hazardous substances in secondary raw materials and products made of these will only stigmatise recycled materials in the eyes of consumers, and will hinder the transition to the circular economy model.

A framework is therefore needed that prevents chemicals of concerns from being reinjected into the economy. This means accepting that certain products should not – and cannot – be recycled into any product. Or that recycled material cannot be used to produce certain products, from food packaging to textiles and toys.

The concerns about toxins in recycled materials in particular applies to chemicals in the recycling stream. It is important to not only make sure that the first, intended use of a material is safe, but also whether possible **subsequent uses could present risks for health and the environment.** If the answer is uncertain or ambiguous, chemical users should look for safer alternatives, including non-chemical solutions. There should not be more lenient standards for the chemical content of secondary raw materials to promote their market uptake. The EU needs to ensure the same level of protection for human health and the environment, whether products are made of recovered or virgin materials. More lenient restrictions for recycled materials must be adopted and amended into existing legislation. Waste needs to be fully decontaminated before it can be recovered and the restrictions of hazardous chemicals should not be less protective when applied to recovered materials.

Proposals:

- To keep recycling streams, clean from toxins, those materials particularly affected must be monitored in the recycling process to identify potentially contaminated goods.

- Contaminated goods should not re-enter the supply chain as recycled materials. When identified they must be treated in a way that their disposal cannot harm the environment or the people.

- To ensure that those materials of concern are phased out, new legislation on the European level is necessary or can be amended into existing legislation such as the Directive on Waste, in line with the Zero Pollution Action Plan[12].

- To ensure that all potentially toxic materials are recovered and treated according to the threats they pose, producers and sellers of these goods should be encouraged to offer to take back those products and incentivise consumers to dispose them in an environmentally conscious way.

2.3.2. INFORMATION ABOUT HAZARDOUS CHEMICALS IN CONSUMER PRODUCTS AND PROMOTION OF SAFER ALTERNATIVES

Clear and readily accessible information about chemicals of concern in consumer products is needed in a first step to identify these materials. Suppliers, distributors and consumers need to be enabled to adopt a preventive approach. This would also facilitate and **reinforce incentives for industry to phase-out the use of chemicals of concern.**

Under the current chemical's legislation, manufacturers are only required to inform retailers of the presence of a substance of very high concern in the product (this does not cover other hazardous chemicals). Also, there is no clear and consistent enforcement of the obligation under REACH to inform consumers, upon their request, about the presence of hazardous chemicals in products.

Thus, it should be ensured that **consumers and economic operators have access to sufficient information on the presence, location, concentration of hazardous chemicals** in products and materials, be they based on virgin raw materials, or recovered from waste. Existing requirements for consumers' information about hazardous substances in products should be enforced more rigorously.

Promoting safer alternatives upstream should be a priority. Upstream chemicals management has the added benefit of securing business certainty for downstream users, as well as recyclers. Under chemicals and product legislation, restrictions are to be adopted or authorisations denied on the basis of whether feasible and safer alternative substances or technologies are available. However, this notion of 'available alternative' is not clearly defined or applied consistently. This leads, for example, **to authorisations being granted under REACH, despite feasible alternatives being available. Microplastics in particular have proven to be harmful to the environment and human health. At the same time, they are especially widely used in non-essential care products like cosmetics, which can easily be replaced by other components.** However, this industry has contrary to the actual impact on health, promoted microplastic additives in cosmetics

as beneficial to consumers. Microplastics have already been found in the world's oceans, lakes and estuaries, harming marine life and entering the food chain. A single shower could result in 100,000 plastic particles entering the ocean Especially those microplastics stemming from cosmetics and personal care products such as body scrubs, shower gels and toothpastes are an easily avoidable part of this plastic pollution problem. The "zero plastic inside" label, issued by an independent third party or a similar label issued by public authorities can contribute to encouraging consumers and thereby pressuring producers into shifting from microplastics to less harmful ingredients.

Proposals:

- **Consumers have a Right to know. The chemical composition of the goods they use must be made easily accessible and understandable to the end consumer. Including the potential risks especially for vulnerable people.**

- **The precautionary approach with regards to human health concerns should be the overarching guideline for the EU's treatment of hazardous substances in the circular economy.**

- **With increased transparency for end consumers about the chemical composition of their products, producers will need to develop innovative new materials, replacing toxins in the production process. These efforts must be encouraged and supported through the EU's Research & Innovation agenda.**

- **EU-wide ban on the intentional use of microplastics in cosmetics and other non-essential uses.**

3 FOR THE PEOPLE

Bringing the benefits of the **circular economy to citizens' everyday lives** is essential in making it a success. Only when people can see the positive effects of the circular economy in their surroundings, improving the quality of life, the consumer experiences, their job opportunities, and protecting the environment around them, the transition to circularity can be successful. Therefore, the **PES supports a pact for consumer protection and information in the circular economy.** To enable people to make sustainable consumption choices, the sustainable options must also be the most convenient options. Sustainability must be reflected in the price of the consumer good. It must be easier and financially beneficial to repair and recycle old products. The sustainable option has to become the most convenient option at the same time. It is crucially important, that our citizens see the added value of the circularity in their everyday lives, making products more durable and repairability and recycling easy and convenient. Information on the environmental impact of products need to be easily accessible and understandable with false green claims disappearing from corporate advertisement.

3.1. CIRCULAR PRODUCT DESIGN: PRODUCTS THAT LAST

Bringing the benefits of circularity to citizens in their capacity as users and buyers requires increased product quality and durability as well as the necessary infrastructure and product design to update the product. **Ensuring easy and convenient access to repair and recycling facilities and services to extend the lifespan of our products, its components and the built-in materials beyond the first use and the first user must be a priority.**

One of the central elements in tackling overconsumption and waste generation can be through the extension of the lifespan of consumer products. This problem needs to be addressed through better product design to enable repairability and end premature and planned obsolescence, embedding into the design the possibility to repair, upgrade and refurbish and – once the lifespan of the products has come to an end – easy access to the components and the materials to ensure swift and complete recycling.

Planned obsolescence describes according to the European Consumer Organisation, BEUC, "a wide range of techniques that certain manufacturers might use to shorten the functional lifespan of products and force consumers to make premature replacements in order to continue selling in saturated markets".

Planned and premature obsolescence comes with huge environmental and social costs. Especially electronic devices contain a number of rare metals, their production involves high energy consumption, and they produce toxic waste that is hard to recycle. Rapid obsolescence of consumer products can also contribute to an increase in credit purchases and consumer indebtedness, especially among the most

vulnerable groups. Also, it could erode consumers' trust in the market in the long run, as a result of dissatisfaction with the quality and the short lifespans of products.

In its Act on the Energy Transition for Green Growth, the French Socialist-led government in 2015 defined planned obsolescence is defined as "the set of techniques by which the person responsible for placing the product on the market seeks to deliberately reduce the lifetime of this product to increase its replacement rate[13]". This law is only applicable in France, to French **manufacturers, who will now be required to tell consumers how long their appliances are intended to last.** If they want to avoid a potential fine of EUR 15,000 manufacturers must also notify buyers about the period of time that **spare parts will be available for each product, after its release date.** Manufacturers are required to repair or replace, free of charge, any defective product within two years from its original purchase date. This will effectively create **a mandatory two-year warranty for products. Under this law, planned obsolescence is an offence punishable by two years' imprisonment with a fine of up to 300.000 EUR** (or up to 5% of the company's average yearly turnover on French territory). In January 2018, French prosecutors launched a probe over allegations of planned obsolescence in Apple's iPhone, after the company admitted that older iPhone models were deliberately slowed down through software updates and finally fined the company 25 million Euros under the law.

In its Circular Economy Strategy of 2015, the European Commission addressed the issues of reparability, durability, upgradability and recyclability of products under the Eco-design Directive to extend their longevity, while the European Parliament called for products to be made in a way so they can be repaired, spare parts be kept available, **design to be modular and allow for recyclability and re-usability** in its 2017 own initiative report "A longer lifetime for products[14]".

To improve products' longevity, some countries have introduced their own legislation to **extend the legal warranty on consumer products.** Norway and Iceland, for example have extended the legal warranty to 5 years. Introduced by the social democratic-led government in 2016, Sweden grants a reduced VAT rate for repair services 25% to 12%, and private households can deduce 50% of labour costs of repair services off their taxes.

While these are measures to improve the durability of products or software, no EU policy exists to **tackle planned obsolescence.** In the European Parliament own initative report, it called on the European Commission to propose "an EU-wide definition of "planned obsolescence" and "appropriate dissuasive measures for producers".

As PES we support the introduction of legislation on planned obsolescence with the new Circular Economy Action Plan under the leadership of Executive Vice-President Frans Timmermans.

PES Lisbon Resolution: "It should be illegal to design a product or software program in a way that makes it artificially out of date or useless within a known time period (planned obsolescence). EU rules are needed to guarantee that products are designed to last longer, become easier to repair or to reuse[15]."

Proposals:

- Ban on planned and premature obsolescence with penalties for companies that do not comply.

- Extend the legal warranty of products including mandatory supply with spare parts for repair services.

- Producers of software must guarantee that support and updates are made available beyond the availability of new hardware products (like in the case of mobile phones and laptops). Obsolescence through ending software support shall also be prohibited.

- Support product design that takes into account repairability and the possibility to replace defect components.

- Reduce VAT for services in repair and refurbishment following the Swedish example.

- Strengthen and support the repair and refurbishment service sector with special emphasis on training and education in jobs contributing to the repair and refurbishment sector.

THE CIRCULAR TRANSITION

TOWARDS AN ECONOMY THAT PUTS PEOPLE FIRST AND RESPECTS THE LIMITS OF THE PLANET

NARRATIVES AND FIGURES

"People's wellbeing, the protection of the planet and its resources and sustainable development are three goals that underpin the values of socialists and democrats in leading the way in the fight against major challenges currently facing the European Union. The economic system of the future must unite the social and the environmental dimensions, both being fundamental to achieving true sustainability. Moving away from the short-term mentality and reshaping our production and consumption patterns to be more effective in recognising the limits of our planet and the needs of all EU citizens is key to realising the goals of the European Green Deal."

Circular transition for the planet

"Current modes of production and processing are a serious threat to our planet. The need to rethink production habits and efficiently manage and use available resources is becoming a must, rather than just an environmentally friendlier alternative."

The climate crisis is a product of the 'take-make-waste' economy, which relies on fossil fuels and disregards the need to save our resources for generations to come. The circular economy of the future must make prevention of waste a first step. We want to bring new life to reusable materials by setting ambitious recycling rates and increasing the share of recycled materials in products. Pollutants and hazardous materials should be kept out of the environment for the benefit of our nature and human and animal health.

Over 90% of disappearing biodiversity is caused by processing and extraction of raw materials. A single 150ml container of cosmetic product can contain around 3 million plastic particles.

Circular transition for the planet

"A circular economy will allow consumers to make better choices and protect them from false claims. It will support workers and create new jobs across the EU."

The PES vision for a European circular economy includes making it socially fair with decent jobs and strong social protection for those employed in it. New employment opportunities can be created across the EU, particularly in the recycling and reuse sectors. We want to support people in this transition, as new jobs will require new skills. This means putting in place comprehensive retraining and skills development programmes that will prepare workers to take up jobs which are of similar or higher quality.

Circular economy activities could create more than 1 million new jobs across the EU by 2030, while 'transformational' circular economy activities could generate 3 million new jobs.

Circular transition for the economy

"The current ecological outlook poses a significant and unavoidable challenge to industries and the effects of climate change on our economy are real. The adoption of a circular supply chain is also in the best interest of the business sector as the environmental externalities of the linear economy grow more tangible for our societies, but also for companies."

Negative consequences of exploiting natural resources should not be passed on to society, individuals and future generations. We want to use economic incentives to encourage circular economy solutions. A waste tax can incentivise businesses to reduce waste and invest in proper and efficient resource management. The circular economy offers tangible new revenue and cost saving opportunities for businesses. Public and private investments are both crucial in accelerating this transition and building a successful economic model.

Circular economy model can boost EU's GDP by 0.8% and generate €600 billion cost savings a year and €1.8 trillion more in other economic benefits. Public procurement can significantly support the transition towards a circular economy as over 250 000 public authorities in the EU each year spend almost 14% of the GDP on acquiring services, works and supplies.

3.2. JOBS AND SOCIAL SERVICES IN THE CIRCULAR ECONOMY

Circular economy activities are expected to result in more than 1 million new jobs across the EU by 2030, while 'transformational' circular economy activities would generate 3 million new jobs[16]; therefore it is our responsibility to make sure that workers are ready to enjoy these new opportunities and transition into other industries and functions. In the best-case scenario, that is, of significant investment and a successful deep transformation, our economy would see a net positive job creation of more than 500 000 jobs[17]. Our main concern is to **make sure that implementing the circular economy does not come as an expense for workers. Potential job losses through the transformation of our economies and consecutively our labour markets need to be compensated by new jobs which are not only of similar quality** or above but are also located in the same areas. Jobs in the circular economy especially those in the areas of repair and refurbishment are locally bound, making them new jobs which cannot as easily be outsourced but will redevelop all regions equally. A comprehensive retraining and skill development programme that ensures no one is left behind is essential[18]. Member States and the EU have to anticipate the new employment opportunities especially in the repair and refurbishment sector in their training and education programmes. Such programmes must be sufficiently gender mainstreamed and aim at desegregating traditionally gender-coded professions, to ensure that neither men nor women are left behind in the circular transition. The EU could **use its toolbox to encourage labour market integration such as the ESF+ and in particular the Youth Guarantee.**

Additionally, to repair and refurbishment businesses neighbourhood sharing projects can play a role in

reducing the environmental footprint, lowering the necessary industrial output while maintaining the same quality of life and offering households possibilities to save money. Community sharing projects can be **tool libraries or "libraries of things" for neighbourhoods,** where the community commonly uses gardening tools, construction tools or other household appliances which are needed only in special cases throughout their lifetime. These "libraries of things" already exist in several European cities.

While the original idea was limited to heavy power tools and gardening equipment, nowadays **libraries of things offer a wide range of goods to borrow from the community project.** An annual fee and in some cases help with maintenances is required to join the community. After the admission, all goods available can be borrowed for the time needed. Especially those tools that are rarely used such as building equipment and goods that become obsolete for solely one user quickly like baby clothing, this alternative form of borrowing instead of buying brings great benefits for consumers, but also for the environment, limiting overproduction and overconsumption and keeping the environmental footprint low while maintaining the quality of life.

Proposals:

- To enable the circular economy to thrive in practice and reap its benefits for the labour market, the EU has to support the creation of repair and refurbishment services.

- To prepare workers for the circular economy, the necessary trainings and qualification measures must be put into place. This can be incentivised through the ESF+ and in particular the Youth Guarantee with retraining and skill development programmes. Such programmes should be gender mainstreamed.

- Community projects for sharing of goods can be supported at multiple levels. These types of projects shall be part of the best practices exchange and successful ones can be given a platform to exchange on their experiences to enable more communities in establishing these projects. Funding for the ground stock of tools and support in establishing a community centre can best be provided by local authorities.

3.3. TRANSPARENCY AND CONSUMER INFORMATION FOR CIRCULARITY

"Environmental claims" or "green claims" are the practice of suggesting or otherwise creating the impression that a product is environmentally friendly or is less damaging to the environment than competing products. This may be due to, for example, its composition, the way it has been manufactured or produced, the way it can be disposed of and the reduction in energy or pollution which can be expected from its use. When such claims are not true or it cannot be verified that they are true, this can be described as **"green-washing",** or **"false green claims".** In a circular economy, **consumers should be able to trust claims about durability, reparability and recyclability of products.** Manufacturers' environmental claims therefore must not be misleading, and should take a circular economy approach into account. **A study[19] by the European Commission** examined the presence of environmental claims in different markets, aspects of consumer understanding and behaviour, the level of compliance with EU legal requirements, and different enforcement and self-regulatory instruments.
The study found:

- **76% of all the products assessed in shops contained an environmental claim.**
- **Most of the environmental claims take the form of a logo, however also many textual messages as well as more implicit environmental claims (such as images and colours) were found.**
- **Consumers have a low level of understanding of green claims. 61% of consumers state that they find it difficult to understand which products are truly environmentally friendly, and 44% indicate that the do not trust this type of information. Consumers also appear unable to understand the meaning of environmental logos, and make no distinction between non-certified (self-declarations) and third party certified labels.**
- **Almost 60% of the respondents stated that they prefer to buy a product with an environmental label. Half of the consumers also look specifically for environmental information on the packaging when purchasing a product.**
- **A sample of claims was analysed against the Unfair Commercial Practices Directive to determine whether consumers are provided with clear, accurate and reliable information in relation to environmental claims in non-food products. Overall, the assessment pointed to possible non-compliance with EU legal requirements, as many of the analysed claims used vague terms and did not meet the requirements of accuracy and clarity. In addition, some claims seemed to contain untruthful statements.**
- **There is room for improvement on enforcement of environmental claims. Proactive surveillance or inspections are rather limited and in some cases inspectors have a limited knowledge about how to correctly interpret the Unfair Commercial Practices Directive with reference to environmental claims.**

3 Types of Environmental Labels - International Organization for Standardization		
Type 1 (ISO 14024[20])	**Type 2 (ISO 14021[21])**	**Type 3 (ISO 14025[22])**
voluntary, multiple-criteria based, third party programme that awards a license that authorises the use of environmental labels on products indicating overall environmental preferability of a product within a particular product category based on life cycle considerations	**self-declared environmental claims that is made, without independent third-party certification, by manufacturers, importers, distributors, retailers or anyone else likely to benefit from such a claim.**	**voluntary programmes that provide quantified environmental data of a product, under pre-set categories of parameters set by a qualified third party and based on life cycle assessment, and verified by that or another qualified third party**
European Ecolabel, German Blue Angel, Nordic Swan, NF-Environment	**A declaration, a logo, a commercial etc. e.g. 100% recycled paper**	**Eco-profiles Environmental Product Declaration (EPD) systems e.g. Swedish EPD**

Mandatory Labels
Energy Label, crossed out wheeled bin symbol, CE marking, CO2 emissions from passenger cars etc.

The **Unfair Commercial Practices Directive (UCPD)** (Directive 2005/29/EC) provides a legal basis to ensure that traders do not present (environmental) claims in ways that are unfair to consumers. The Directive **does not provide specific rules in relation to environmental claims.** However, its provisions **apply to all claims made in the context of business-to-consumer commercial practices,** including those related to the environment. Generally speaking, in order not to be misleading, green claims should reflect a real environmental benefit or improvement and be communicated in a precise manner to consumers. It provides protection for consumers where there is no specific sectorial legislation at Union level.

In 2016, the **European Commission updated its guidelines for the implementation and application of the UCPD,** also with a view to better tackle false environmental claims. This is a step which could enhance law enforcers' knowledge about the matter and facilitate the implementation of the Directive with regards to green claims.

Moreover, the **EU Ecolabel** can play an important role in helping consumers to make an informed choice about sustainable products. The EU Ecolabel is a voluntary label that helps to identify products and services that have reduced environmental impact. In 2016, the European Commission included furniture, footwear and computers in the product categories that can attain the EU Ecolabel, with a **special focus on durability and reparability of the products.** These evaluation **criteria should be extended to further product categories,** in order to make the EU Ecolabel a trusted label in the circular economy.

"We will take measures against greenwashing, false and misleading environmental marketing claims. Consumers should have no doubts about the eco-friendliness of the products and services they buy[24]."

In line with this ambition, the EU should explore options to **crack down on misleading labels** introduced by the industry to give the impression of sustainability. The European Commission's Retail Forum for Sustainability for example already pointed to this problem in their June 2011 paper on Labelling[23].

The international organisation for standardisation, ISO, has defined three types of labels. Within these categories it is Type II which describes "self-declared environmental claims that is made, without independent third party certification" and thereby tends to be misleading customers. **This type of labels should be banned from consumer advertisement and instead, Type I labels based on multiple criteria and issued by an independent third party shall be supported and strengthened where no mandatory official label exists.**

With the **"New Deal for Consumers"** from November 2019, the EU did take first steps into improving the enforcement of consumer claims. This includes specific sections on more effective penalties for cross-border infringements that affect consumers in several EU Member States. In these cases, national authorities will have the power to impose a fine of up to 4% of the trader's turnover, or up to 2 million EUR when information on turnover is not available.

Proposals:

- EU law on false commercial claims should be better enforced, especially with a view to false environmental claims.

- Additionally, explicit references to environmental claims could be introduced into EU commercial rules (UCPD).

- Self-declared environmental claims through industry-owned labels shall be replaced by independent third party labels where no mandatory label exists.

- The EU Ecolabel should put a bigger emphasis on circular-economy criteria.

- Labelling should beyond the origin of the product and take into account the production impact along the entire supply chain, including the raw materials used in the process.

4 FOR THE ECONOMY

4.1. AN ECONOMY FOR ALL - BEYOND THE SHORT-TERM MENTALITY

The current ecological outlook poises a significant and unavoidable challenge to industries. Due to the increasing signs of resource depletion, the need to re-evaluate production habits and efficiently manage and use available resources is becoming a need rather than just an environmentally friendlier alternative. Adding to this the effects of climate change to our economy are real. Price volatility, disruption of distribution lines, and ultimately market uncertainty due to extreme climate events need to be considered. Each business sector will have to consider alternative means, or foresee resource shortages and adapt practices preemptively with a strategic outlook.
Reducing, recycling and reusing materials is not part of the current capitalist business model. As long as profit margins were safeguarded and shareholders kept satisfied, negative externalities linked to the degradation of our environment were not considered as an indicator of corporate responsibility. **Now, as the environmental externalities of the linear economy grow more tangible for our societies, but also for companies, the adoption of a circular supply chain turns out to be in the private sector's best interest.**

Mere search for capital accumulation leading to the constant abuse of common public goods needs to end. Encouraging the private sector to include sustainability, Environmental and Social Governance (ESG) and Corporate Social Responsibility (CSR) considerations in their operations and planning can ensure a meaningful step towards a system in which prosperity and economic growth go hand in hand. Financial means must be deployed to long-term investments and sustainable growth which reflect the priorities of an innovative Sustainable Framework for Corporate Governance.
The **transition to a circular economy represents a great opportunity to reduce our resource consumption and industrial inefficiencies, but, most importantly, to re-think the short-term mentality that has hindered research and innovation or investments in human capital.** Long-term sustainability must drive our economies, this must include environmental protection and social wellbeing alongside economic development. The economic potential of applying the circular economy on infrastructure and product innovation, service upskilling, is great.


UPCYCLED GOODS
STORE OPEN
NEXT CIRCLE - BAS LUITING

4.2. PUTTING A PRICE STAMP ON ENVIRONMENTAL DUMPING

As suggested in the Reflection Paper Towards a sustainable Europe by 2030[25], the European Commission suggests that the circular economy should be made the backbone of the **New European Industrial Strategy.** We welcome the EU's targets for reduction, management and recycling of waste, which set several goals on packaging, on material-specific recycling targets, minimising landfill, etc. However, their effectiveness significantly depends on our ability to encourage the transition to a circular supply chain and resource-efficient economy. We must not overlook the importance of incentives to deliver on our political goals. For instance, many countries, both at national and local level, have implemented waste disposal taxes, which create a tangible penalty for companies which pollute more. **Putting a price on negative externalities provides an instant incentive for the private sector to optimise production: if generating more waste means you must pay more taxes; industry is incentivised to invest in proper and efficient resource management** and adapt to the circular economy.

In 2018, according to the European Commission[26], taxation directly related to pollution and resources was, on average, merely 0.2% of the total tax revenue for the 28 EU Member States. These low rates, or the lack of such taxes, reflect low concerns about scarcity, sustainability and durability. It's time for a progressive approach that challenges the regulation fearmongering of the neoliberal political agenda. **The waste tax can be a fundamental tool to make sure that extraction costs reflect the negative consequences of exploiting natural resources.** The Conservative growth strategy of privatising profits while nationalising problems is neither fair nor sustainable. When costs are 'externalised', that is, passed on to society, individuals and future generations, rather than absorbed by the polluter, there is a perverse effect of decoupling profits from responsibility. Companies that do not follow sustainable resource management practices will have to pay waste taxes.

MYTHBUSTERS: "REGULATION STIFLES INNOVATION!"

After several years of research about the impacts of Chlorofluorocarbons (CFCs), this substance was flagged as a significant contributor not only to the depletion of the Ozone Layer, one of the most pressing environmental challenges of the 20th century, but also to global warming. The urgency to act led to the adoption of the Montreal Protocol in the late 1980s. It was ratified by all members of the United Nations, plus the European Union, thus representing one of the most successful cases of international cooperation.These efforts produced great results: CFCs were replaced and their usage drastically reduced over the following years. Even though the alternatives are not ideal (Hydrochlorofluorocarbons and Hydrofluorocarbons), their impact is significantly less harmful from an environmental standpoint and there are provisions in place to safeguard the phase out of these components. In 2019, NASA announced the Ozone Layer's depletion was at its smallest ever since it was first discovered in 1982. As late as 1986, just one year before the Montreal Protocol, the Alliance for Responsible CFC Policy was still arguing that the science was too uncertain to justify any regulatory action. Without action, the Ozone Layer would have been further depleted by these harmful chemical substances, leading to severe consequences both to our health and the Planet's environment.

While in full respect of national competences, we propose the coordination of national efforts at the European level in order to enhance the effectiveness of this measure. Countries should not be rewarded over environmental dumping and relaxed environmental policies. **Allowing companies to generate more waste cannot be considered a competitive advantage – therefore, a coordinated action on taxing waste will re-sult in a framework that actively promotes better waste management and resource usage across the EU.** Additionally, the application of a **lower VAT rate for products and services which are aligned with sustainable practices can be hugely beneficial to the implementation of the Circular Economy.** This can apply to for example reduced rates on the sale of repaired, refurbished and reused goods. Such a tax environment can nudge both consumers and companies towards sustainable alternatives, including longer lasting products and the respective enabling services. Moreover, more work needs to be undertaken in the design of taxes that address the effects of climate change. A carbon border carbon adjustment mechanism and an effective EU emissions trading system are options that can have a real effect on fighting climate change. Our plan for transitioning to the Circular Economy must ensure that harmful environmental practices are phased out by changing the industrial infrastructure and limiting cost cross overs to society and the environment.

Proposals:

- **Ambitious but realistic waste reduction targets and recycling targets must be enshrined into legislation, backed up by tools and guidance for Member States, enforced and progress must be monitored in a coherent way.**

- **A waste tax can incentivise businesses to reduce waste further and lead consumers into making more sustainable choices.**

- **A reduced VAT on repair and refurbishment services can support these services and further incentivise sustainable consumer choices while creating locally rooted jobs all around the EU.**

4.3. CLOSING THE SUSTAINABLE INVESTMENT GAP – LEVERAGING PRIVATE CAPITAL

The Ellen MacArthur Foundation is one of the leading voices in re-thinking our economic system and the types of business models and practices, advocating for a shift towards circularity. According to the Ellen MacArthur Foundation[27], the circular economy model has the potential to boost Europe's resource productivity by 3% by 2030, generating cost savings of €600 billion a year and €1.8 trillion more in other economic benefits, leading to a GDP increase of 0.8%[28]. Most of the gains are a by-product of retaining value: corporate net savings on material and energy costs and improved mitigation of volatility and supply risks. **Nevertheless, reaping the full benefits from the circular economy model requires going beyond regulation: we need to address the investment gap in Europe in order to cease the full potential of the Circular Economy.**

The importance of shifting towards a sustainable growth model is undeniable; therefore, mainstreaming our efforts is becoming urgent. The European Central Bank should take into account sustainability criteria during the strategic policy review. Monetary policy must not deviate from its main targets of price stability and full employment, but it should also be completely coherent with our political agenda. **Climate and environmental standards must be included in the policy assessments and strengthen the overall aim of sustainability and durability.**

The European Green Deal Investment Plan provides an effective framework for leveraging private means for a more sustainable economic system:

- **The European Investment Bank [EIB] already focusses on environmental beneficial investments in its investment priorities. Its investment decisions must be further targeted for those business and projects supporting circularity and information and guidance could be provided to businesses applying for funding on how to make circularity aspects even stronger during the application process.**

- **InvestEU as operated by the EIB and the European Fund for Strategic Investments [EFSI] as one central element in InvestEU must play a key role in providing the necessary funding for circular operating businesses. While all its four key areas play a significant role for implementing the circular economy (sustainable infrastructure; research, innovation and digitalisation; small businesses and social investment and skills), a dedicated "circular dimension' must be included in its operations to ensure that the special requirements of businesses in the circular economy are met and circular projects do not fall through.**

- **The EU's Sustainable Finance Action Plan is a legislative package that seeks to bring environmental and social considerations into investment decision-making. The Action Plan's initiatives will foster transparency, mainstream sustainability standards and reorient private means towards sustainable assets and investments. The liquidity provided by this framework will drive sustainability as a key criterion in the EU's Capital Markets Union and assist companies in adapting to new standards for production, including in achieving higher resource efficiency.**

- **The EU Taxonomy tool must continue to support businesses and investors with access to information and guidance in managing the transition to a low carbon economy. One of the six main objectives in the EU taxonomy experts report[29] is identified as the circular economy. It must be ensured that circularity remains central in the assessment of investments and transformations towards sustainability.**

4.3.1. PROMOTING PUBLIC GREEN INVESTMENT

Relying on private investments only will not be sufficient. **The success of the circular economic model also depends on efficient and effective public action.** Fiscal incentives, such as additional room for strategic public investments and green public procurement, aligned with the principles of the European Green Deal, are key for making our Circular Economy plans come to fruition. Creating a **Golden Rule for Green Public Investments** is paramount to close the 'green investment gap', which, as estimated by the European Commission[30], is €260 billion per year. We argue that green investments, such as modernization of public infrastructures and grids, should not be included in deficit calculations, thus granting extra manoeuvring room for each country to comply with our ambitions. **The EU fiscal rulebook was developed in the aftermath of the financial crisis and it sought to safeguard the stability of our Member States – now, we have new priorities, which require a fresh look into fiscal policy.** Without departing from the provisions that brought us the much-needed stability, it is time to adapt our framework in order to grant the flexibility to all Member States to pursue green strategic investments. We cannot compromise our transition towards a green economy.

We must recognise the role that public authorities can play in supporting the transition towards a circular economy. Every year, according to the European Commission, over 250 000 public authorities in the EU spend close to 14% of GDP acquiring services, works and supplies. This amounts to €1.9 trillion in national public procurement budgets annually[31]. **Public procurement spending therefore has a significant role in accelerating our transition to a more circular economy** in the way that we procure our goods and services at a national level.

MYTHBUSTERS: "LEAVE IT TO THE MARKETS!"

Conservatives try to portray government intervention as inefficient engineering efforts to shape societal trends that should be left to the markets. Unsurprisingly, they seem to forget that most of the European countries provide active support to the fossil fuel industry. Instead of bringing fresh, future-oriented proposals, conservatives are keen on keeping the status quo as it is, even if it means being incoherent. In 2016, the 28 EU Member States provided more than EUR 55 billion in financial support for fossil fuels[32], both through direct budgetary transfers and tax concessions. For the PES, the taxpayers deserve to have their money channelled towards industries whose performance contributes to our climate and environmental targets while safeguarding job creation and social protection.

In order to assess the performance of Member States regarding resource efficiency, waste reduction and other Circular Economy and climate targets, creating a new policy-monitoring tool is paramount. A **Climate Scoreboard** linked to the European Semester and, consequently, Country Specific Recommendations, would provide the right guidance to ensure that Member States are not only responsibly managing their public finances, but also channelling their efforts towards the adaptation of their economy in accordance to the Climate Scoreboard.

Proposals:

- **Green criteria in public procurement have to be further incentivised and clear rules on the European level about minimum green standards in public procurement must be established.**

- **A 'golden rule' for more public green investment must be introduced. Investments into green infrastructure, services or other projects must be exempted from the deficit calculations within the European stability and growth pact.**

- **The macro economic reform proposals in the European Semester and the Country Specific Recommendations must also take into account the Member States' performances in establishing the circular economy model and fighting climate change. This dimension shall be added through a climate scoreboard.**

4.4. CONNECTED TRANSITIONS – THE DIGITAL POTENTIAL

Resource exhaustion is a guaranteed outcome of our current economic system, therefore achieving a sustainable growth model and making sure that the circular economy improves the living standards of people is an imperative. Transitioning towards a Circular Economy can decouple intensive exploration of resources from growth and employment, especially if properly connected to the Single Market, its industries and related services. **The EU's sustainable economy strategy for the upcoming years will be inevitably shaped by the green and digital transition. However, we should not think of them as competing goals.** In fact, the circular economy's underlying principle of sustainable product lifecycle management requires an integration of digital systems in order to monitor, control and optimise stock, resources and material flows. Achieving an information system that can generate, analyse and effectively integrate data is possible – although it certainly depends on the application of the most recent tools from the digital sector.

Glossary: digital tools for the circular economy

Internet of Things	Big Data Analytics	Blockchain
Set of sensors and actuators connected by networks to computing systems that can monitor or manage objects and machines. Information generated could be shared or provided to stakeholders across the value chain without need for human intervention.	Ability to analyse and extract information from data sets that are too large or complex to be dealt with by traditional data-processing software. It is able to identify hidden patterns, market trends and customer preferences, thus helping organizations to make better decisions.	Digital chain with individual data records linked through cryptography. Since each block contains traces of the previous one, such as a timestamp/ transaction data, a blockchain is, by design, resistant to modification of the data, thus providing safety and improving trust.

In many ways, a transition to a circular economy is, simultaneously, a horizon of the information revolution. For instance, the ability to **monitor material flows,** provides us with an integrated view of imports and exports, supply and demand of resources and products, and flows between the economy and the environment. These allow the public and private sector to assess current performance, and overall efficiency in production and investments. **Resource efficiency, resource dependency, production of solid waste and recycling, pressure on the environment and footprints – all of these indicators become accessible through material monitoring and favour a more efficient and sustainable economic model.** Yet, technology allows us to go even further.

Real-time collection and generation of detailed information is possible through sensors linked to digital networks, known as Internet of Things. On the one hand, access to accurate data, namely concerning products' resource footprint, location, condition, availability and demand, businesses will be able to develop smart solutions that reduce energy and resource consumption, improve logistics routes, minimise transaction costs and optimise product life cycles. Additionally, digitalisation also facilitates efficient networking, collaboration and co-creation with stakeholders, thus favouring product and service innovation tailored from consumer feedback.

Registering the products' material composition or built patterns paves the way to create a data bank for a new efficient secondary market to trade, recycle and reuse components. By using Big Data Analytics, **it becomes possible to match supply and demand for expected waste or recyclable and reusable materials in products commercialised in the primary market - therefore, material flows become circular.** Invariably,

this would also favour products whose design allows for most of its components to be re-used: since their usefulness would not be exhausted in a single cycle of usage, companies can utilise them for other purposes or trade them, thus improving their balance sheet. In a best-case scenario, combining the Internet of Things, with material monitoring and Big Data Analytics could allow us to create **automatic secondary markets,** in which products market themselves on the basis of information about composition, the possible applications of its raw materials and the demand for them. Additionally, **through the use of blockchain, it is possible to draft a precise timeline, including a transparent display of all relevant information, of any product.** Since every agent in the circular supply chain has access to it, this traceability gives confidence to the final consumers while also providing certainty for businesses about the origin of the products, whether they are recycled or recyclable, etc. The cryptography system of the blockchain ensures that the information is secure: it is a decentralised model of protecting information that ruthlessly prevents fraud and hacking. This property makes it a critical enabler of a circular economy by providing an ecosystem with a trusted set of data and transactions.

Overall, with digitalisation becoming one of the main trends in several industries, it is becoming easier to use fewer resources more efficiently by enhancing the coordination of material flows and information flows. **New technologies will help companies shape our economic system through improvements to product design, optimising product usage, automated monitoring and tracking of products, enhanced technical support, maintenance, renovation and recycling.** These developments offer us a clear chance to create a secondary market for components, thus contributing to extend the lifecycle of any material. All things considered, effectively deploying all our digital technologies may be the "missing link" to implement a sustainable circular economy and overhaul inefficient supply chains and outdated perspectives on business. By moving first on the implementation of a Circular Economy, the EU could attain industrial leadership through a sustained competitive advantage, while concurrently addressing the environmental concerns of the 21st century.

Proposals:

- **Using existing tools and developing new digital tools to better monitor the flow of materials in the circular economy is essential in keeping up the promise of high transparency and easy access to this information for consumers.**

- **The European Research and Innovation strategy must contribute to this challenge. The sharing of goods through the internet of things must be further supported, lowering the overall ecological footprint of all users and ideally lowering the financial burden of buying for owning from consumers.**

- **Where supply and demand do not yet meet on the secondary raw materials market, it must be supported by digital tools to bridge the gap between recyclers and producers of new goods where there is no physical local proximity, possibly amounting to an automated market for secondary raw materials.**

5 CONCLUSION

Earth is reaching its limits. The speed and scope of resource extraction have been unsustainable. But resources are not infinite, even though the current linear economic model assumes so. The circular economy is a sustainable alternative for making sure that the economy continues to grow in a sustainable and resilient way, decent jobs are created right where people live and that natural resources maintain their value beyond the first use.

The policy proposals described in this paper portray a pathway to true circularity in the way we produce and consume. It shows, how the next step in restraining neoliberal market forces must look like to create a better, more inclusive and more resilient economy with decent jobs and a healthy environment. The narrative of sustainability throughout production and supply chains will benefit the planet, the economy and the people alike. It is built on innovation in key areas, coherent and decisive regulation that puts the people and their wellbeing first by respecting the planet's limits and reducing inequalities through the transition to circularity.

Changing the way we treat materials and products, that are out of use, will greatly benefit our economy by creating new opportunities for greater prosperity, creating value right in the European Union and providing our industries with resources. New employment opportunities for both women and men can be created in research, development and retail, but also in the repair and refurbishment sectors. Consumers can benefit from better transparency and toxin-free products that are built to last.

The model of the circular economy echoes the values of socialists and social democrats, supporting progress and innovation and taming market forces, redirecting them to work for the benefit of our citizens and the planet.

NOTES

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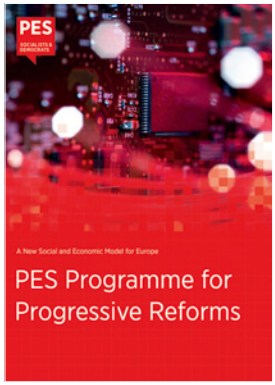

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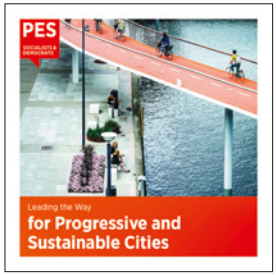

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