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# Position paper: Nordic approach to circular economy

Circular economy is a global trend with economic opportunities estimated to be significant, offering companies unprecedented opportunities for a new type of growth. It also plays a key role in providing solutions to global climate change and scarcity of natural resources and represents new business thinking.

The Nordic countries strongly support circular economy and bioeconomy where materials are kept in circulation for as long as possible to retain their value and reduce the impact on the environment. We are already in pole position for sustainable industrial production of materials, food, feed and products for a global market.

Many challenges still need to be addressed if we want to make circular economy a reality. The new Commission should put effort in solving inconsistencies, barriers and gaps in existing legislation which are standing in the way of creating new business models. Circular economy also calls for integration and coordination between different policy areas.

Industry in the Nordic countries stand ready to deliver the technological solutions and the sustainable products that takes the green transition global. We see the circular economy as a business opportunity as well as a business necessity, if we want to continue sourcing the materials we need to produce competitively. Circular economy makes a difference in a new world where growth calls for innovative use of natural resources and a clever creation of immaterial value. The Nordic countries welcome the agenda for the President of the European Commission and the new initiatives on circular economy. We look forward to contributing to new initiatives to strengthen the EU's position as a frontrunner within circular economy.

To the Nordic countries, the fundamental preconditions for the circular economy are free trade, a well-functioning internal market in the EU, and in general competitive framework conditions for businesses. Therefore, the Nordic national confederations for industry, SN, NHO, EK, SI and DI, encourage the new Commission to continue to work to promote the circular economy by securing these basics and prioritizing research and development and innovation at all levels.

## **New business models for a circular economy**

Many new – and circular - business models have seen the light of day as part of the digitalization of Europe. Digital solutions can make it easier to share and thereby make better use of resources such as storage and machinery as well as private homes and cars. Circular business models for certain products may involve extending the financial relationship with the customer through the enterprise retaining ownership of the

product. This results in income being generated in new ways, costs appearing in different places, companies taking on new business partners in a modified value chain, and relations with the customer undergoing changes, for instance selling products as a service or take-back schemes. New work processes such as maintenance, repairs and updates may appear in association with the product, leading to the appearance of new services and new business opportunities.

We consider circular business models to have a considerable business potential in addition to environmental gains. However, it is a challenging path to step on to, as it often is necessary for a company to rethink its entire foundation, not to mention practical concerns such as a cash-flow. We therefore urge the Commission to support this way of innovating industry when it comes to future EU-programmes for research and development.

### **Circular Public Procurement**

Public procurement is a big part of the economy in the EU. Every year public authorities spend around 14% of GDP (around €2 trillion per year) on the purchase of services, works and supplies. Circular Public Procurement (CPP) can act as an important enabler and catalyst for circular economy but only if the conditions are right. It holds great potential by creating new markets and boosting demand for novel and innovative solutions.

The Nordic countries' experience enables us to be frontrunners in this field but a wider change of mindset is needed for circular public procurement to be a driver for green transition in the Nordics as well as the rest of Europe. It involves looking beyond short-term costs and benefits and considering long-term impacts and life cycle thinking. Circular principles can help public sector buyers take a holistic approach to procurement in all stages of the procurement of goods and services. Market dialogue and co-operation between different actors in the value chain is of vital importance. A significant amount of work has been done in recent years to increase guidance for circular public procurement in the EU. We encourage the Commission to evaluate what barriers are still on the way and what needs to be done next to boost CPP.

### **A functioning market for secondary materials**

#### *Uniform methods and standards*

A functioning market for secondary materials is a prerequisite for the circular economy. We need to make sure good quality material is available in sufficient quantities and at competitive prices. Some sectors, such as metals and paper, already are functioning well, but in other areas, such as plastics, there are still challenges. We support establishing defined standard quality criteria for those secondary materials that could benefit from that as well as voluntary EU-standards focusing on design and disassembly.

#### *Revision of the waste shipment directive*

Within the EU, a barrier for a functioning market for secondary materials is the regulation on transboundary shipment of waste. Waste is a resource and should be legally treated as such. Private actors and a free market for waste management will contribute to a far better exploitation of resources that may be derived from waste. There is an international market for trade with natural resources. This market should include waste – and as a minimum this should be true for the internal market in the EU.

The waste shipment directive in effect hinders or makes transport of waste across borders more expensive. It is especially a problem in smaller countries such as the Nordics. The country's size and population does not always make it economically profitable to build national recycling facilities, hence a lot of waste is transported to other EU countries for recycling. The existing EU legislation on shipment of waste makes it very expensive and difficult to ship waste between member states to facilitate reutilization and often found to be an obstacle for Nordic companies. The experience from Nordic companies is that large variations in administration occur between member states. Especially regarding waste characterization and waste definitions, assessment of impurities etc.

Revision of the waste shipment regulation as well as uniform implementation and practice of the European criteria for byproducts and end-of-waste will therefore strengthen the market for secondary materials in Europe.

Pan-EU definitions should be adopted for when waste ceases to be waste. As a secondary option, national definitions could serve as a temporary solution on condition that they harmonize as far as possible with criteria in other EU Member States. Creating a legal framework that allows European companies to reuse waste to a larger and better extent will unlock a huge potential within the circular economy. This will ultimately create more 'green' jobs, and facilitate technology development as well as investments, which could strengthen and increase European exports.

We recommend EU requirements to be consistent in all member states to enable trade with waste. It creates barriers to trade if member states have different terminology and rules when dealing with waste as a resource. We recommend that a level playing field for companies is created, so some companies do not pay more than others, and so that waste facilities that upgrade waste to secondary raw materials back into the circular economy are able to receive input material from other EU countries in a fast track handling. Furthermore, we recommend adopting rules to prohibit deposition of waste that could have been reused, recycled or energy recovery.

### **The circular bioeconomy**

Bioeconomy is a significant part of the circular economy. The use and processing of renewable biological resources is already an important part of economic activity regionally and globally, and it holds the answer to many challenges facing the world today – from food security, building materials to sustainable energy. When residues from one production process are included as raw materials and basic materials in a new, profitable value chains evolves. The circular bioeconomy include natural renewable resources that are also reusable and recyclable.

The Nordics has great natural advantages in this area. Agriculture, already important as a raw material producer for the food industry, plays a major role both as an employer and as a value creator in society. Forest based industries has a key role in development towards a sustainable society and provides employment throughout the countries.

Fisheries, aquaculture, forestry and forest based industries have untapped resources and possibilities, including by-catch and residual raw materials. All this biomass provides significant potential for increased

value creation in the production of ingredients for the feed and food industry, for biomaterials and biochemicals well as bioenergy.

The key to a successful bioeconomy is that the biomass is, preferably, used where it creates the highest value: A better utilization and reuse of raw materials forms the basis for a new, profitable and sustainable industry. We trust that the market will reward such value creation in the bioeconomy, however, development of new technology and products takes considerable investments to succeed. We therefore support the New Bioeconomy Strategy by the Commission (2018), especially the focus upon scaling up and investing in further research and development. We agree that both is very much needed. We further encourage the Commission to look at hindrances in legislation and case management on for instance novel foods and regulation on by-products.

### **Continued emphasis on research, innovation and technology development**

Innovation and investments are required to boost transition towards a more circular economy. In some cases, major technological leaps are needed, and it can take time to find and develop robust and efficient solutions. The business community is working hard to come up with new technologies, processes and work methods – often in partnership with other societal players and researchers. Many circular economy solutions are developed in cooperation between companies, research institutes and universities. It is important to ensure a high-quality research and development and boost innovation through public procurement and funding.

The Commission as well as national governments of the member states can support the circular economy by providing the needed funds for basic research as well as demonstration programmes. They should encourage companies to collaborate across sectors as much of the growth in the circular economy springs from unconventional cooperation. Most important is still predictability in long-term R&D commitment related to harmonized rules and regulation based on EU's common definition of waste, by-products and end of waste.

### **Conclusion: Circular economy is a necessity *and* an opportunity**

The Nordic countries have ambitious goals for reducing CO2 emission and managing natural resources in an even more effective manner. Circular economy contributes greatly towards these goals, securing better use of a range of resources. Many companies are already engaged in either mapping out circular economy solutions or offering them. Innovative thinking and efficient incentives are called for to make the circular economy a real engine of growth. The policy actions need to be based on the concept where "waste" is a "resource" ensuring smart and sustainable use of all resources.