

Break out session: Circular Economy

*Moderated/organised by: Royal HaskoningDHV and FMO*

### Introduction

In Western countries, the concept of a circular economy (CE) is emerging in business thinking and policies. Industry is experiencing the effects of a declined availability of several resources for their products, due to scarcity, increased demands, extraction barriers and geopolitical reasons.

At the same time, new ICT technologies and social media induce a cultural shift leading to a 'power to the people' that initiates many bottom-up initiatives. CE builds on earlier closed loop principles, but what is really new about CE is the link with economic systems, such as revaluing waste as new input. This resulted in a new economic model and this positive frame of opportunity has encouraged individuals and businesses to take action.

### Main points

Expected is that the due to the increasing world population energy demand will grow with 50 percent, water stress will increase and the mineral reserves will end. We live in a linear economy: Take-Make-Waste. Circular economy builds on closed loops, like nature which is circular in design.

Circular economy follows five principles:

#### **1. Closed loops**

*Optimize, not maximize - Setting a price on the function, not on the use*

This challenges business models and financing. Example: Leasing of light by Philips

#### **2. New Business models**

*Access instead of ownership – Permanent liquidity: Take back of the source*

How do you finance long-term chain financing? Chain management through f.e. profit partially reinvested; the take-back as source for the next round.

Example: Recover-e (reuse of ICT Hardware), Suits of Dutch wear (fabric used 7 times)

#### **3. Exchange of multiple values**

More than only economic: social, ecological, information. Example: Meal website - Thuisafgehaald

#### **4. Partnerships and chain management**

*Cooperation between shareholders in clusters*

Discussion: Can the financial sector be the chain manager? It can be, dependent on the chain, sector.

Example: The chain manager of Fair Phone is the crowd – Bottom up

#### **5. Users steer proactively**

*Not spider-organizations but starfish organizations*

Trust is key.

Circular Economy is about system change: Innovation on the organizational side. Is the financial sector ready to finance organizational change?

Discussion points:

- What is a new product is cheaper than recycling old? Include take-back in the models? Better law and regulation?
- Chain financing is difficult, will change come from developing countries? Is it already there?
- The loop for value chain finance is not always closed with the same partners
- Is Circular Economy more equity than loan financing?

The main obstacle for financing Circular Economy is the complexity of the deal: multi-stakeholder financing. This might be counter intuitive for bankers, so is Circular Economy more suited for incubators, risk investors, venture capital?