

In collaboration with Irish Manufacturing Research (IMR), Eur Digital Village and Kate Van Der Merwe

In 2022, CIRCULÉIRE ran a working group on 'Financing the Circular Economy' which took place over four months. TWG comprised of 12 industry members and 16 external members including funders, financiers, government bodies and the Department of the Environment, Climate & Communications.

This infographic summarises the key challenges to funding and finance along with the consolidated solutions and recommendations.

THE CIRCULAR ECONOMY OPPORTUNITY...

To save Ireland's resources, build resiliency, improve public wellbeing, and *critically* aid Ireland in achieving its climate change targets (where Ireland lags, facing significant penalties & a bruised reputation).

- ECONOMIC:**
 - Greater resource efficiency, resilience & agility
 - Job creation & retention
 - New value creation, innovation & collaboration opportunities
 - Competitive edge (talent attraction & retention, customer loyalty, close-knit supply chains)
- ENVIRONMENTAL:**
 - Simultaneous climate change & biodiversity loss mitigation
 - Reduced energy needs
 - Reduced primary material dependency
 - Waste reduction
 - Reduced emissions & pollutants
 - Water & land use efficiencies
- SOCIAL & OTHER:**
 - ESG investing, SDGs, Just Transition/ Build Back Better (social agenda synergies)
 - Job creation
 - Consumer empowerment & goodwill
 - Enabler of human well-being (e.g. reduced pollutants)
 - EU Policy & legislature aligned
 - Potential for greater transparency & community engagement

KEY CHALLENGES

For the CE Industry and Funders & Financiers

- 1 PRICING LINEAR RISKS**
E.g. Consideration of longer-term/ full product/ service life cycle is not included
- 2 REWARDING/ RECOGNISING POSITIVE IMPACT**
E.g. Benefits of a close-knit circular supply chain include resilience, agility
- 3 MATCHING CE INDUSTRY AND FINANCE**
E.g. current CE financing and investments remain at a small scale
- 4 CE BUSINESS MODEL TENSIONS**
E.g. product-as-a-service (PAAS) business model - unknown/novel = caution from financiers
- 5 GROWING THE MARKET**
E.g. Indicators/data for materials/product markets are lacking
- 6 FINANCE TO SCALE**
E.g. Lack of suitable and well-timed financial vehicles to scale a CE business (compared to linear business offerings)
- 7 MATURING THE CE DATA, METRICS AND INFORMATION**
E.g. Ambiguous/ lack of reliable data/benchmarks
- 8 ALIGNMENT OF CE STANDARDS**
E.g. Lack of standardisation makes assessment of risk difficult
- 9 LACK OF BOLD, INCLUSIVE CROSS-SECTORAL LEADERSHIP**
E.g. Need to mitigate against mistakes in financing 'sustainability'

WHY CIRCULAR FINANCE IS CRITICAL TO IRELAND'S CIRCULAR TRANSITION

The Circular Economy is

- IMMINENT**
 - Comprehensive EU policy framework, pricing linear risks & incentivising circular
 - Ireland's Circular Economy Act, 2022, building ambition upon prior policy
- A MULTI-FACETED OPPORTUNITY**
 - Encompasses critical benefits across economic, environmental & social - including being key to mitigating climate change and biodiversity loss

CIRCULAR ECONOMY IS 9% OF THE GLOBAL ECONOMY BUT RECEIVES LESS THAN 4% IN FINANCING.

The untapped potential is extensive. However, significantly greater capital flows are needed. For example, EU circular initiatives in construction, food & transport are predicted to yield up to €1.8tn p.a. by 2030, DOUBLE the linear development path.

It addresses economic concerns including;

- Scarcity of resources;
- Distribution and access;
- The impacts of production, consumption, and price volatility;
- Environmental issues related to designing out harmful wastes and pollution; and
- Prevention of the disruption of value chains.

RECOMMENDATIONS TO OPTIMISE IRELAND'S CIRCULAR ECONOMY FINANCING ECOSYSTEM

DELINEATING TAXES AND LEVIES

Provide circular & environment aligned tax incentives & levies, disincentivizing damaging linear practices while improving market competitiveness of circular. Towards pricing linear risks & externalities, whilst recognising a circular economy's positive impact. May include pricing-related harms/ damages, such as pollution-related health impacts, to drive the case for tax reforms.

DRIVING ACCOUNTABILITY ON CIRCULAR & ENVIRONMENTAL IMPACT

Provide comparable, credible & transparent verification for organisations current/ future circularity & sustainability performance, related to emissions reductions & circularity impacts.

*€2.32bn savings p.a. for 5% material use improvement (Coakley et al. 2013)

STRATEGIC

Establish critical circular economy ecosystem supports, enabling acceleration of circular ambitions & embedding circular economy approaches.

Grow strong set of resources & enablers for circular economy industry (especially high-impact sectors/ value chains) & public. Support & empower leadership to bring circular economy solutions as a local & national strategic advantage, fostering a sustainable economy.

INDUSTRY VOICE, COHESION & IMPACT

Encourage strong networks across circular economy industry members, especially high-impact sectors/value chains, enabling a cohesive voice to:

- engage Government (policy), funders/ financiers (e.g. joint applications/ ventures), academia & civil society,
- strengthen industry (e.g. collaborations, awareness raising, communities of practice).

Focus is on industry/ finance collaboration & policy drivers that influence this

CIRCULAR ECONOMY COMMERCIALISATION TASK FORCE

OBJECTIVE: TO ESTABLISH A CIRCULAR ECONOMY COMMERCIALISATION (& SOCIALISATION) TASK FORCE (CECTF) ACROSS PUBLIC & PRIVATE FINANCIERS, FOCUSED ON FUNDING & FINANCING THE CIRCULAR ECONOMY USING A SYSTEMS INNOVATION APPROACH.

Oversight group to seek out & work with innovative funding mechanisms to support the rollout of the Circular Economy in Ireland - ensuring that this funding framework is set up, fit for purpose and well monitored – and linked to Sector-specific Transition Roadmaps. Priorities to include:

- (Financial) Framework setting;
- Mapping to climate action & Sectoral roadmaps;
- Targeted use of funds;
- Linked to national (e.g. Project 2040) & regional and/or place-based priorities (e.g. smart specialisation);
- Local relationship building for Circular Economy aims & delivery;
- International partnerships & networking to learn from & to benefit from EU collaboration & other funding sources