

HOW MOVING TO A CIRCULAR ECONOMY CAN HELP THE UK TO BUILD BACK BETTER



About WRAP

WRAP is not-for-profit, working with governments, businesses and citizens to create a world in which we use resources sustainably. Our experts generate the evidence-based solutions we need to protect the environment, build stronger economies and support more sustainable societies. Our impact spans the entire life-cycle of the food we eat, the clothes we wear and the products we buy, from production to consumption and beyond.

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Front cover photography: Working in a workshop – remanufacturing / Shutterstock

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Executive summary

The COVID-19 pandemic has affected the entire global economy, cutting economic activity and increasing unemployment. As the world starts to recover from the impacts of the disease, a rapid economic recovery is vital. At the same time, the pandemic has clearly illustrated some of the key weaknesses of the current economic paradigm, including a chronic lack of resilience to large disturbances. Many are therefore calling for a more sustainable and resilient recovery under the shorthand, 'Build Back Better'.

This report argues that moving to a more circular economy should form an essential element of the UK's recovery plan, as greater circularity has the potential to deliver increased growth, net jobs, higher resilience and stronger environmental sustainability. We conclude with six recommendations for action that will help the UK become more circular, more resilient, and more sustainable.

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1.0 Foreword



We are living through unprecedented times. The full impact of the COVID-19 pandemic on the UK economy is yet to be felt, but it is already apparent that it will be significant. The only question is how long it will last.

As the scale of the crisis became clear there was also speculation over what it would mean for the environment. Whilst commentators marvelled at the drop in air pollution and the slump in reliance on fossil fuels, there was growing disquiet over the extent to which these benefits would be reversed when the brakes were let off the economy once more. At the start of the year, and with COP 26 on the horizon, it felt as though climate change were top of the global agenda. Citizens touted their reusable cups, ate less meat, pledged to holiday flight-free; businesses clamoured to demonstrate their green credentials. Then suddenly, the world was forced to confront a different, more immediate threat.

Yet as most people acknowledge, the need to protect our natural resources remains. It is arguably greater than ever. And with it comes an opportunity – which is increasingly being referred to simply as ‘build back better’ – to tackle some of the challenges facing the world today.

In recent months a number of organisations have made predictions about what building back better could look like. At WRAP, we believed it was essential to take time to gather evidence and assess the situation before compiling our recommendations on the potential opportunities. This paper builds upon our 20-year heritage of partnering with government and developing and delivering evidence-based interventions which deliver measurable and lasting environmental, commercial and economic benefits. It sets out our recommendation that a circular economy form the core of plans to build back better and that adopting a circular economy will catalyse growth, create jobs and hard-wire resilience into our economy. Indeed, according to work undertaken by WRAP economists along with the Green Alliance thinktank in 2015, a circular economy could create up to 500,000 jobs.

We recognise, however, that the realisation of a circular economy demands action – by both government and industry. Which is why we also set out six steps we believe should be central to any build back better plan.

Writing this in late June 2020 I am mindful of the fact that it’s less than six months since the world became aware of COVID-19; none of us really know what the next six months hold. So, this report is very much intended as the start of a conversation rather than the conclusion – and it’s a conversation we want to continue.

Marcus Gover, CEO WRAP

2.0 Introduction

We are living through unprecedented times. The COVID-19 pandemic has changed the lives of almost every person on the planet. It has also had a massive impact on national economies, as the actions necessary to prevent an exponential growth in cases have forced a significant proportion of the productive economy to close.

As countries 'flatten the curve' and contemplate how they will restart their economies, there have been widespread discussions, particularly amongst environmental organisations, of the concept of 'Build Back Better' – a shorthand for an approach to a country's recovery which increases resilience. These discussions have revolved around the idea that the recovery from COVID-19 should also be environmentally sustainable. The argument is that such an approach will enable a rapid economic recovery, while reducing our vulnerability to future economic shocks, whether these arise from pandemics, climate change, or other global crises.

WRAP believes that an important element of an environmentally sustainable recovery should be a move towards a more circular economy¹, through the adoption of innovative new business models and a much greater focus on waste prevention, reuse and recycling.

What is a 'Circular Economy'?

A circular economy is an alternative to a traditional linear economy (make, use, dispose) in which we keep resources in use for as long as possible, extract the maximum value from them whilst in use, then recover and regenerate products and materials at the end of each service life.

This paper explains why WRAP believes circularity should be central to any strategy to 'Build Back Better' after the COVID-19 pandemic, and summarises the evidence we have published over recent years to justify this position. Although aimed at the UK, the recommended approach could be adapted and applied internationally.

¹ See www.wrap.org.uk/about-us/about/wrap-and-circular-economy.

2.1 The COVID-19 pandemic changes everything

The COVID-19 pandemic has had an unparalleled impact on the way that people live their lives throughout much of the world. In many countries it has forced people to stay at home and avoid contact with those outside their immediate family, in order to reduce the risk of passing on the infection.

The effect this has had on national economies is profound. Many businesses have been forced to close, either furloughing their staff or making them redundant. It seems likely, if not inevitable, that a significant number of these businesses will not be able to re-open once the lockdown is lifted.

Even in the early stages of the pandemic it became clear that although the UK's current economic model may be economically efficient – for example, through the use of global supply chains and 'Just in Time' production and distribution approaches – it is not resilient to systemic problems that interrupt those supply chains. Television news stories in mid-March about empty shelves in many UK supermarkets demonstrated the real-world effects of a sudden spike in consumer demand.

We will need to rebuild the UK economy once COVID-19 has been brought under control. Should we return to the status quo, or should our country's recovery take another direction?

Figure 1: COVID-19 has had an unparalleled impact on people and businesses



2.2 Why the status quo is no longer an option

If the COVID-19 pandemic were the only systemic risk on the horizon, it might be justifiable to view the problems it has caused as a one-off, and to focus on returning to the status quo as quickly as possible. However, there are several reasons for thinking this is not the case:

- It is not clear that the pandemic will be 'over' by the end of 2020. Some experts forecast a second wave this winter, while others have suggested that the virus may recur, like seasonal flu, every year and may not be brought under control until there is an effective vaccine.
- There are several other systemic risks to the UK economy, the most clearly defined of which is climate change and the associated increased risk of extreme weather patterns, creating widespread challenges for businesses and individuals (e.g. from flooding and drought).
- In any case, the status quo is not recoverable. Many businesses that existed prior to lockdown will no longer be trading by the time the economy re-opens.

So, what do we need the post-COVID recovery to deliver?

- Economic growth – to ensure our standard of living recovers.
- Jobs – to replace the ones that are lost as companies close or downsize.
- Resilience – to reduce our future exposure to systemic economic, environmental and health risks.
- Sustainability – building in our net zero, and wider environmental, ambitions.

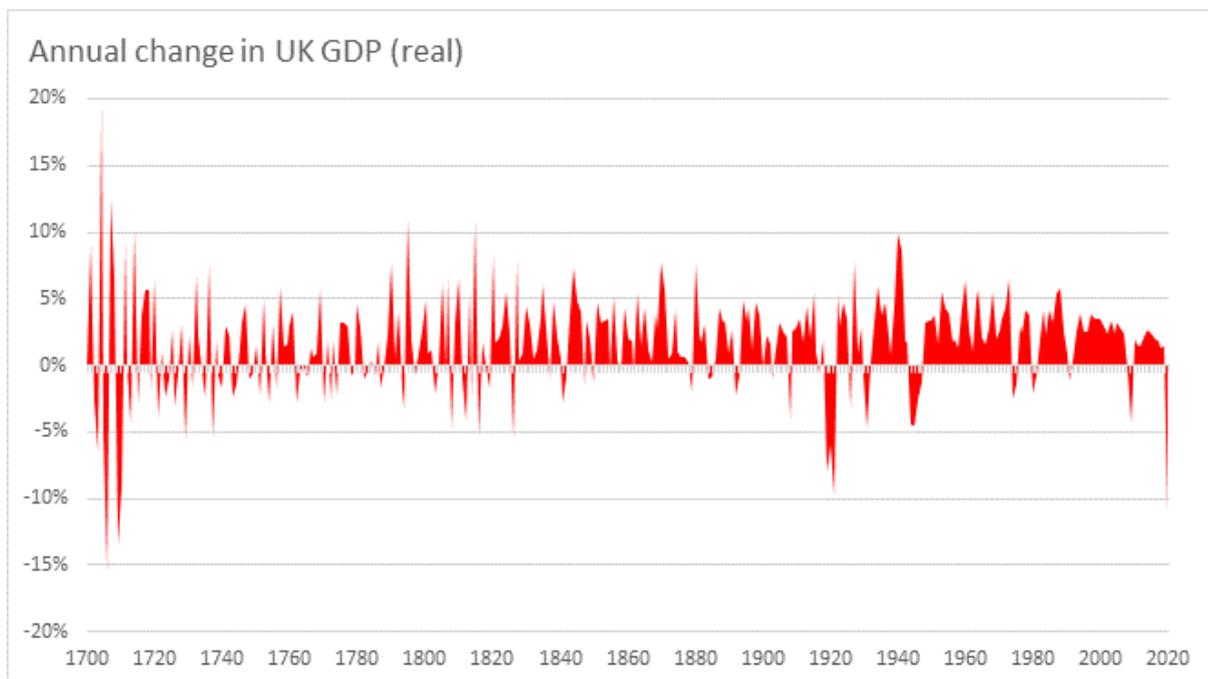
We will set out WRAP's evidence base in relation to each of these points in section 3. First, we discuss the context in more detail, and then summarise what some other key organisations have also said recently about how to 'Build Back Better'.

3.0 Context and opportunity

The COVID-19 pandemic threatens significant negative impacts on the UK's economic growth and employment. The Office for National Statistics (ONS) reported in mid-May² that UK GDP fell by 5.8% in the month of March, leading to an overall fall of 2.0% in Quarter 1 (January to March 2020). In response, the Chancellor, Rishi Sunak MP, said that it was very likely that the UK would face a significant recession this year³. Since then, ONS have reported⁴ that UK GDP fell by an unprecedented 10.4% in the three months to April 2020.

The Organisation for Economic Cooperation and Development (OECD) forecast that the coronavirus crisis will push the UK economy into its deepest recession in 300 years, with output plunging by 11.5% in 2020⁵, leading to widespread company closures and job losses.

Figure 2: Annual change in UK GDP, 1700-2020 (Source: WRAP)



In April 2020, the UK Government took a number of actions to reduce the economic impact of the pandemic, including the introduction of a furlough scheme to pay the wages of workers whose employers have been forced by the pandemic to stop working.

² See www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/march2020.

³ See www.bbc.co.uk/news/business-52641807.

⁴ See www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/april2020.

⁵ See www.theguardian.com/business/2020/jun/10/uk-economy-likely-to-suffer-worst-covid-19-damage-says-oecd.

However, once the economy starts to fully re-open, further policy measures can be expected as the Government tries to accelerate the recovery and minimise job losses. What form these policy measures take will depend on the type of recovery that is wanted.

Although a return to 'business as usual' might initially appear to be the obvious answer, this is unlikely to be either possible or desirable. It is already clear that many businesses will face bankruptcy, while others will have to make fundamental changes to their operating model to accommodate the ongoing need for health protection measures such as social distancing. In any case, rebuilding the economy just as it was before the pandemic would not improve the UK economy's resilience to future major supply chain shocks. More positively, since the economy will need to be rebuilt, there is the opportunity to do this in a way that makes it more sustainable, an objective which has received widespread support from the public over recent years. This has led to the concept of 'Build Back Better'.

3.1 What does 'Build Back Better' mean?

Many organisations have called for a sustainable recovery from COVID-19, often adopting the phrase 'Build Back Better' as a shorthand for this idea. Below is a summary of some of the most relevant recent interventions:

3.1.1 Committee on Climate Change

On 6 May, the independent Committee on Climate Change, set up under the Climate Change Act 2008 to advise the four governments across the UK Nations on setting and meeting carbon budgets, wrote⁶ to the Prime Minister and the First Ministers in Scotland, Wales and Northern Ireland, setting out six principles for a clean and resilient recovery from COVID-19:

- Use climate investments to support economic recovery and jobs;
- Lead a shift towards positive, long-term behaviours, creating new social norms that benefit wellbeing, improve productivity and reduce emissions;
- Tackle the wider 'resilience deficit' on climate change;
- Embed fairness as a core principle, so that the benefits and costs of climate action are shared widely, and jobs lost today are replaced by new, sustainable ones;
- Ensure the recovery does not lock in carbon emissions or risks; and
- Strengthen fiscal incentives for carbon emissions reductions.

⁶ See www.theccc.org.uk/2020/05/06/take-urgent-action-on-six-key-principles-for-a-resilient-recovery/.

3.1.2 The World Economic Forum

On 3 April, the World Economic Forum published an article⁷ calling for the recovery from COVID-19 to be built on economic stimulus packages that focus on building 'a stronger economy that ensures the long-term health and wellbeing of citizens, job creation, tackling climate change once and for all, and building a more resilient and inclusive society.'

They also call for any public funding to help companies recover to be contingent on three things: the integration of climate and other environmental risks into company disclosures, the use of science-based targets to inform company strategy, and investment by such companies in low carbon solutions that create new jobs.

These points were emphasized by Prince Charles at the launch of WEF's Great Reset project on 3 June⁸, during which he said, 'Unless we take the action necessary, and build in a greener and more inclusive and sustainable way, then we will have more and more pandemics.'

3.1.3 Ellen MacArthur Foundation

On 7 May, the Ellen MacArthur Foundation (EMF) published an article⁹ highlighting the relevance of the circular economy agenda to the debate around the right kind of economic recovery from COVID-19. They note how circular design principles can improve supply chain resilience and competitiveness, illustrating this by reference to examples of the remanufacturing of medical equipment and a more circular food production system. These ideas were reiterated in a joint statement¹⁰, coordinated by EMF and co-signed by over 50 CEOs, including WRAP's, that was published in the Financial Times on 13 June.

3.1.4 Smith School of Enterprise and the Environment, Oxford University

On 4 May five economists associated with the Oxford Smith School, including the author of the influential 2006 Stern Review into the Economics of Climate Change and the Nobel Prize winner Joseph Stiglitz, published a paper¹¹ which analysed 25 types of fiscal recovery policy for their impacts on the economy and on climate change.

⁷ See www.weforum.org/agenda/2020/04/how-to-build-back-better-after-covid-19 .

⁸ See www.weforum.org/agenda/2020/06/great-reset-launch-prince-charles-guterres-georgieva-burrow/ .

⁹ See www.ellenmacarthurfoundation.org/news/the-covid-19-recovery-requires-a-resilient-circular-economy .

¹⁰ See www.ellenmacarthurfoundation.org/assets/downloads/emf-joint-statement.pdf .

¹¹ See www.ox.ac.uk/news/2020-05-05-building-back-better-green-covid-19-recovery-packages-will-boost-economic-growth-and# .

The research identifies several fiscal policies which could help the UK deliver large economic benefits in the short term, alongside significant climate benefits in the long term. The policies include investing in renewable energy production, energy efficiency retrofit programmes, clean growth R&D, and natural capital investment for ecosystem resilience.

3.1.5 IPPR Environmental Justice Commission

The Institute for Public Policy Reform (IPPR) think tank launched an Environmental Justice Commission in April 2019. On 17 May 2020, the Commission published its interim report, *Faster, further, fairer*¹², which called for an investment of at least £30 billion in a green recovery from COVID-19, focused on 'shovel-ready' green projects that will generate the most jobs, including:

- a national home insulation and energy efficiency programme;
- planting millions of trees;
- restoring peatland;
- expanding and improving the rail network; and
- supporting drivers to adopt electric vehicles.

3.1.6 The Science Based Targets Initiative

The Science Based Targets Initiative, a collaboration between the Carbon Disclosure Project, the UN Global Compact, the World Resources Institute, and the World Wide Fund for Nature, promotes the setting of science-based targets (emission reduction targets in line with what climate science says is needed to meet the goals of the 2015 UN Paris Agreement) as an important way to give companies a competitive advantage in the transition to a low-carbon economy.

In a July 2018 blog¹³, they summarised the results of a survey of the Initiative's members, suggesting that six key business benefits from setting science-based targets were:

- strengthened brand reputation;
- increased investor confidence;
- greater resilience against future climate regulation;
- an increase in low-carbon innovation;
- bottom-line savings; and
- a greater competitive edge.

All of the points discussed above point to the need for the economic recovery from COVID-19 to prioritise clean growth and green jobs, delivering sustainability and greater resilience as we 'Build Back Better'.

¹² See www.ippr.org/research/publications/faster-further-fairer.

¹³ See <https://sciencebasedtargets.org/2018/07/09/six-business-benefits-of-setting-science-based-targets>.

4.0 WRAP's evidence base

WRAP has published a number of reports over recent years that support the case for how a circular economy can help the UK to deliver the objectives of 'Build Back Better'. In particular, they explain how moving to a circular economy can help to increase economic growth, create new net jobs to tackle unemployment, and strengthen the economy's resilience to supply chain shocks and our sustainability.

4.1 Delivering growth, jobs, resilience & sustainability

4.1.1 Stimulating economic growth

In May 2018, the charity Business in the Community published 'Smart Growth: the economic case for the circular economy'¹⁴, a report based on research undertaken by WRAP, in our role as a member of their Circular Economy Taskforce. This report highlighted three estimates of the potential impact on economic growth of moving to a more circular economy:

- A 2014 study by BioIS for the European Commission found that improvements in resource productivity (that is, GDP per unit of Raw Material Consumption) of 2 to 2.5% per annum would lead to net positive impacts on EU GDP;
- A 2015 report from the EU-funded POLFREE project estimated that resource efficiency measures could potentially increase the EU's GDP in 2050 by 8%, compared with a business as usual scenario; and
- A 2015 report from the Ellen MacArthur Foundation found that implementing resource efficiency opportunities in three specific sectors (buildings, food waste and transport) could increase EU GDP by 11% by 2030 and 27% by 2050.

4.1.2 Creating new jobs

In January 2015, WRAP and the environmental think tank Green Alliance jointly published the research report 'Employment and the Circular Economy'¹⁵. This report modelled three scenarios (business as usual, modest increase in circularity, and a rapid transformation towards a circular economy). The activities that qualified as being part of a circular economy included reuse, repair and remanufacturing; closed and open loop recycling; biorefining; and circular business models.

Under the central scenario, the report estimated that by 2030, over 200,000 new jobs would be created, reducing unemployment by around 54,000. The new jobs would offset around 11% of predicted future losses in skilled employment.

¹⁴ Available at www.wrap.org.uk/smartgrowth.

¹⁵ See www.wrap.org.uk/content/employment-and-circular-economy.

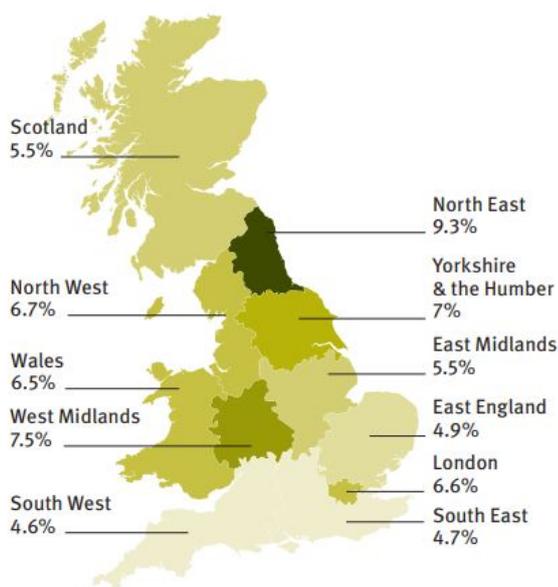
On the other hand, if the transformational path was followed, the benefits could potentially be increased to 500,000 new jobs, a reduction in unemployment of over 100,000, and an offset of around 18% of the predicted loss of skilled labour.

An expansion in the circular economy may also help to address structural unemployment in the UK – i.e. the longer term loss of industries (such as coal mining) from a region, leading to a loss of skills that becomes ingrained across generations. A current concern is that the pandemic could lead to a new wave of structural unemployment across new sectors of the economy. Dealing with the structural mismatch will require new employment opportunities in regions of high unemployment (such as the north of England) that are suitable for low to intermediate skilled workers, perhaps with previous experience in manufacturing, retail or service industries.

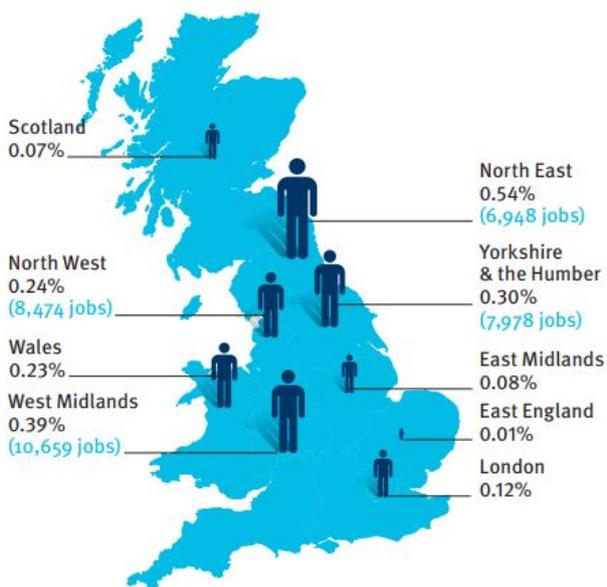
In addition, the UK, in common with many other countries, faces a significant challenge from the trend of declining mid-level occupations, through a combination of technological progress and competition from emerging economies. The circular economy addresses these issues by enabling a more decentralised economy that can better respond to local needs and provide local employment opportunities.

Figure 3: Circular economy jobs can help address structural unemployment¹⁴

Unemployment rate in UK regions, June-August 2014



Potential net job creation in circular economy activity to 2030 at current growth rate (as a percentage of labour force)



Growth in the circular economy, whether modest or transformational, could create a wide variety of employment opportunities that directly tackle these challenges:

- Regional unemployment disparities may be reduced by a broad geographical spread of employment opportunities in circular economy activities;
- More extensive development of the circular economy, involving more remanufacturing, repair and servitisation (i.e. a move from selling products to selling services), could create employment near existing manufacturing sites where unemployment tends to be higher. This may also draw on the large pool of unemployed former employees of manufacturing industries in these areas; and
- The circular economy can also contribute to offsetting the decline in mid-level occupations. Circular economy sectors that provide mid-level employment, such as remanufacturing and closed loop recycling, offer potential routes to addressing this decline.

4.1.3 Building resilience

The UK is highly dependent on products and raw materials imported from abroad. This leaves us at risk of disruptions to critical business supply chains. It also exposes us to volatility in commodity prices, which presents a risk and an uncertainty for individual UK businesses and the UK economy as a whole. A more circular economy keeps material resources within the system for longer. It therefore has the potential to reduce the exposure of companies to this uncertainty, whilst also reducing supply chain risk.

For example, components and materials typically account for 40% to 60% of total costs, and many of these are imported to the UK, contributing to the current UK deficit (around 7%) in goods and services. A recent study¹⁶ suggests that a materially efficient circular-based economy could improve the UK's trade balance by 1 to 2% of GDP, while reducing supply chain risk at the same time.

4.1.4 Improving environmental sustainability

Moving from a linear to a circular economy has significant benefits for environmental sustainability, through reducing greenhouse gas emissions, water footprint and waste arisings. For example, between 2012 and 2018, signatories to WRAP's Sustainable Clothing Action Plan reduced carbon emissions by 13.4% and water emissions by 18%¹⁷, while WRAP's work on food waste prevention has led to 1.4 million tonnes of household food waste being diverted from landfill or incineration annually since 2007¹⁸.

¹⁶ The Club of Rome (2015), *The Circular Economy and Benefits for Society*. See <https://clubofrome.org/publication/the-circular-economy-and-benefits-for-society>.

¹⁷ See www.wrap.org.uk/content/uk-buys-more-clothes-scrap-2020-continues-lead-trend-sustainable-clothes.

¹⁸ See www.wrap.org.uk/content/food-waste-falls-7-person-three-years.

4.1.5 Circular business models

All of the benefits above can potentially be delivered at an individual business level if businesses transform their operations through the adoption of a circular, or resource efficient, business model. Examples include leasing models, product-to-service models, and trade-in models¹⁹.

While circular business models have clear benefits, they have remained a relatively niche activity, with limited take-up by mainstream businesses. Two of the barriers to more widespread adoption are a lack of understanding of the concept by businesses, and a perception that consumers are not interested in changing the way they consume. WRAP has done research on both of these issues.

The business benefits of adopting a circular business model were explored in the EU-funded REBus project, in which WRAP was the lead project partner. According to the project's 'Summary of Learnings' report²⁰, circular business models can:

- be more profitable than the linear alternative – but only if the business case is prioritised, well-resourced and focused at the most relevant audience;
- make best use of the experience economy, through moving away from ownership and towards utilisation, service and leasing models;
- extend the customer lifecycle through leasing and trade-in models; and
- incentivise either durability or design for disassembly, depending on the type of product and sector.

At a macroeconomic level, the project found²¹ that widespread adoption of circular business models across the UK had the potential to deliver:

- over £75 billion in Gross Value Added;
- over 21 million tonnes in material savings;
- over 38 million tonnes of waste diverted from landfill; and
- over 15 million tonnes of greenhouse gas reductions per year.

¹⁹ For a typology, see www.wrap.org.uk/resource-efficient-business-models/innovative-business-models.

²⁰ REBus (October 2017), *Summary of Learnings*, available from www.wrap.org.uk/content/new-rebus-pilots-provide-snapshot-what-could-be-achieved-large-scale.

²¹ REBus (November 2016), *Extrapolating resource efficient business models across Europe*, www.rebus.eu.com/wp-content/uploads/2017/07/Extrapolating-resource-efficient-business-models-across-Europe.pdf.

Figure 4: Benefits to the UK economy



During 2019 and 2020, WRAP has been working with WRI on the ‘Clothing Reuse Market Makers’ project²². One strand of this work has investigated the evidence of consumer demand for circular business models in the clothing sector, building on research done as part of the EU LIFE-funded European Clothing Action Plan²³. In a June 2020 report we have demonstrated that there is potential mass market appeal for reuse business models in this sector, with the evidence showing that ‘consumers ahead of the curve are demanding new models, and opportunities exist for disruptor companies in this space to substantially grow their customer base’²⁴.

Figure 5: Changing our clothes: Why the clothing sector should adopt new business models



²² See www.wri.org/our-work/project/tomorrows-markets.

²³ Full details of the European Clothing Action Plan project are available at www.ecap.eu.com.

²⁴ WRAP (2020), *Changing our clothes: why the clothing sector should adopt new business models*, www.wrap.org.uk/content/changing-our-clothes-why-clothing-sector-should-adopt-new-business-models.

5.0 Recommendations

On the basis of the evidence summarised above, we have put forward six recommendations for inclusion in any 'Build Back Better' strategy. These actions will accelerate the UK's transition to a circular economy and help to deliver a sustainable and resilient recovery from COVID-19.

5.1 Employment

Transitioning the UK from a linear to a circular economy has an important role in a sustainable recovery from COVID-19. The pandemic is likely to have the greatest impact on the lower waged, increasing inequality. WRAP and Green Alliance showed in 2015 that an ambitious plan to move to a circular economy could create over half a million jobs, reduce unemployment by over 100,000 and potentially offset around one-fifth of the expected future losses in skilled employment, helping to address structural unemployment in badly affected regions. *We recommend that the UK accelerates its transition to a circular economy, with a particular focus on those operations (e.g. remanufacturing, repair) which generate new net jobs and can help tackle structural unemployment.*

5.2 Resilience

Our dependence on imported raw materials and products means that the UK is at risk of disruptions to critical business supply chains, while exposure to volatile commodity prices presents a risk and an uncertainty to both UK business and the economy at large. More circular use of materials has the potential to cut the exposure of the UK economy to this uncertainty while reducing supply chain risk. *We recommend that governments, regions, cities and businesses across the UK should adopt a 'Target, Measure, Act' approach to increasing the circularity of their activities.*

5.3 Integration and accelerated implementation of existing policy measures across government

The UK Government's Resources & Waste Strategy, published in December 2018, contains ambitious plans for moving the UK in the direction of a more circular economy. However, implementation of the Strategy has been delayed by political uncertainty and now the COVID-19 pandemic. In addition, the full economic and environmental benefits of moving to a more circular economy will only be captured if there is full integration between Defra's Resources and Waste Strategy and the Industrial and Clean Growth Strategies published by BEIS.

Stakeholders require certainty on the direction and speed of travel in order to invest. It is therefore important that the UK Government accelerates the integration and implementation of the policies in these three Strategies as part of the post-COVID recovery, in order to gain the economic and environmental benefits that they will bring. One way to do this might be to establish a joint Defra/BEIS committee to ensure cross-departmental collaboration on circular economy policies, as previously recommended by APSRG²⁵ in particular relation to remanufacturing. *We recommend that Defra and BEIS provide stakeholders with greater certainty by publishing progress reports on the implementation of the Resources & Waste, Industrial and Clean Growth Strategies by the end of 2020, confirming publicly the UK Government's intention to maintain the implementation timetables set out in those documents, and ensuring that the activities carried out under each are fully integrated.*

5.4 Circularity requirements as a condition of bailouts

Many businesses will look to the UK Government for financial support in the aftermath of COVID-19. This should provide an important opportunity for the government to ensure that businesses themselves Build Back Better, by making such support contingent on improved environmental performance in future (as, for example, the French government has done in relation to its support for Air France). For businesses with a large material footprint²⁶, this could be put into effect through a requirement to measure and increase their circularity over time. *We recommend that any financial support provided by the UK Government to businesses with a large material footprint should be contingent on those businesses adopting a 'Target, Measure, Act' approach to increasing the circularity of their operations.*

5.5 Driving the Adoption of Circular Business Models

The REBus project demonstrated that circular business models have the potential to radically improve the utilisation of resources by businesses and their customers, enabling a simultaneous increase in economic activity while reducing material demand. However, although many case studies of circular businesses exist, wider adoption of such business models has been slow.

We believe that 'proof of concept' has been achieved, and the focus for policy should now be on driving greater adoption of circular business models through a targeted programme of business support (for example, advice on business plans, fiscal incentives, grant schemes, or a new Industrial Strategy Challenge Fund) and citizen engagement. This may also need to be supported by the smarter measurement of circular economy

²⁵ See www.policyconnect.org.uk/apsrg/sites/site_apsrg/files/apsrg_-_remanufacturing_report.pdf.

²⁶ See, for example,

www.ons.gov.uk/economy/environmentalaccounts/methodologies/measuringmaterialfootprintintheuk2008to2016.

activities in official economic data, to ensure that the costs and benefits of action can be accurately captured.

As an initial step, we would support the introduction of a legal ‘right to repair’, delivered through legislation that allows consumers and third parties the ability to repair and modify purchased items (principally consumer electronic devices), where currently the manufacturer requires the consumer to use their own repair service. *We recommend that the UK drive much more widespread adoption of circular business models through the introduction of targeted policy, financial, business support and citizen engagement measures, including for example the introduction of a legal ‘right to repair’, as well as the collection of better data on circular economy activities, as part of post-COVID recovery activities.*

5.6 Accelerating financial support for the Circular Economy

The different nature of circular businesses, compared to the traditional linear economy, means that they would benefit from tailored forms of financial support.

For example, banks could help enable the circular economy by developing valuation and risk models that suit the characteristics of circular business models, where cash flow is critical. We recommend that the UK Government provide guidance to the banking sector on the distinct challenges of financing circular business models, as discussed for example by ING in 2015²⁷.

The UK Government could also create funding mechanisms which will enable investment in the jobs and infrastructure required to make better use of materials and products. This might include the use of some of the income from the forthcoming introduction of Extended Producer Responsibility (EPR) for packaging for investment in reprocessing infrastructure and jobs, and also to encourage UK businesses to specify a greater use of secondary materials in their products. *We recommend that the UK Government and the UK banking sector review their approaches to providing future financial support to businesses, to ensure they incentivise circular businesses.*

²⁷ ‘Rethinking finance in a circular economy’, ING, May 2015, p.37. See www.ing.nl/media/ING_EZB_Financing-the-Circular-Economy_tcm162-84762.pdf.

6.0 Conclusions

There is widespread agreement that efforts to restart the global economy in the aftermath of the COVID-19 pandemic should prioritise actions that deliver environmental sustainability and greater economic resilience, alongside increases in growth and jobs.

This paper demonstrates that moving towards a more circular economy should form an essential element of the recovery from COVID-19, delivering growth, jobs, resilience and sustainability.

We have made six recommendations for any ‘Build Back Better’ strategy, which will accelerate the UK’s transition to a circular economy and maximise the contribution of circular activities to a sustainable and resilient economic recovery. WRAP stands ready to help deliver that recovery.

Figure 6: Six ways to build back a better economy



WRAP's vision is a world in which resources are used sustainably.

Our mission is to accelerate the move to a sustainable resource-efficient economy through re-inventing how we design, produce and sell products; re-thinking how we use and consume products; and re-defining what is possible through re-use and recycling.

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