The Current System
The current ‘take–make–dispose’ system costs Europe €7.2 trillion every year for mobility, food, and the built environment. Resource costs are estimated at €1.8 trillion. Related cash costs, including all other household and government expenditures, come to €3.4 trillion, and externalities such as traffic congestion, carbon dioxide emissions, and pollution and noise to €2 trillion.

We are already seeing the effects of excessive consumption. Economic losses related to extreme weather have increased by 86% to $129 billion over the last 10 years. Basic resources like water are under threat. By 2030, the global population is projected to need 40% more water than the planet can sustainably supply.

Just eight materials are responsible for 20% of global GHG emissions, 95% of water reuse and 80% of land use. Implementing circular economy principles for these materials could help address climate change, water scarcity and land-use issues.

By 2030, adopting circular-economy principles could generate a net economic benefit for Europe of €1.8 trillion. We urgently need business models that support resource-efficient solutions. To make this happen, we need to partner across industries.

The Circular Economy
The circular model builds economic, natural, and social capital. It is based on three principles:
• Design out waste and pollution
• Keep products and materials in use
• Regenerate natural systems

The Opportunity
The circular economy itself is a $4.5 trillion opportunity. There is potential to create over 40,000 gross jobs in London’s circular economy sectors like re-use, remanufacturing and maintenance.

What Can Business Do?
1. Map the business model and value chain to highlight the benefits of moving to a circular economy model. Survey your immediate value chain and identify the points at which value is being lost. Map the company’s role, industry and revenue model amid its ecosystem.
2. Identify key capabilities for a circular model. Define critical capabilities that will enable a value-driven circular economy model for your business. Some capabilities include product design and management, reuse operation, reverse management, solutioning/selling and reuse selection (dynamic decisions on reuse based on detailed product data, supply and demand information and profitability).
3. Initiate a use case to articulate the potential financial value of improved circular economy practices. Typically, in remanufacturing or refurbishment, the focus is on current technology, where there is a better understanding of potential residual value. The challenge is to understand the reuse options for older technology or secondhand parts.

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