

CIRCULAR ECONOMY AS A LEVER FOR COMPETITIVENESS. A QUESTION FOR TODAY, NOT JUST FOR TOMORROW

Posted on 29/03/2021 by Naider



ECONOMÍA CIRCULAR COMO PALANCA DE COMPETITIVIDAD. UNA CUESTIÓN DE HOY, NO SOLO DE MAÑANA*

La propuesta de valor de las empresas vascas del futuro pasa por la adopción temprana de la Economía Circular

*Original article published by Confebask ([link](#))

The circular economy is here to stay. The economic growth model carried out so far, based on producing, using and throwing away, shows different limitations to which a circular economic model could provide a solution. According to the report published by Accenture [“Circular Advantage: Innovative Business Models and Technologies to Create Value in a World without Limits to Growth”](#), the current growth model, in addition to consuming resources that are already finite, consumes (recoverable) natural resources at a higher rate than they can be recovered (figure 1).

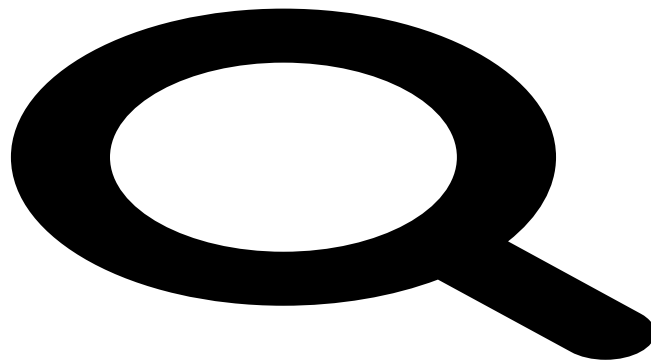


Figure 1. Projection of demand and availability of sustainable resources Source: Accenture *“Circular Advantage: Innovative Business Models and Technologies to Create Value in a World without Limits to Growth”*

If this dynamic continues, businesses that do not position themselves and continue basing their growth on the use of increasingly scarce natural resources will see the value of their business

affected through:

Reduced benefits derived from uncertainty in the supply of resources and changing consumption patterns.

The increase in costs and the impossibility of making efficient projections due to their volatility.

The deterioration of the image and difficulties in complying with regulations. As the scarcity of resources worsens, social awareness will increase and public policies will favor businesses that have been able to decouple their production from the consumption of scarce resources.

In front of these challenges, the Circular Economy seems to be, to this day, the only solution that can add value to companies. Those who manage to transition to a activity not dependent on resources will obtain competitive advantages in the future. But it is precisely the concept of "future" that creates a certain unrest.

Despite the obvious consequences of continuing with a linear production model, many of the competitive advantages that companies will obtain materialize in a distant time horizon, which seems not to encourage its application in the short-medium term. Some companies may prefer to procrastinate their process particular transition towards circularity. The theme "still does not go with we". But is it really so? Is this a long-term story? Well It does not seem that it will be exactly like that because there are very relevant actors for business competitiveness that are engaged in precisely the opposite.

First of all, the financial sector, a necessary ally of business development, has realized the opportunity offered by the Circular Economy and its good prospects for the future and is clearly positioning itself.

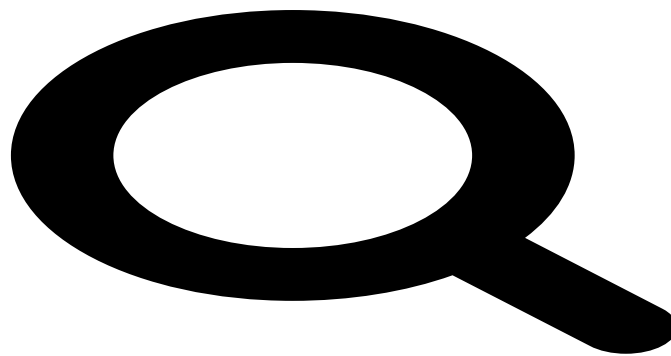


Figure 2. Number of funds focused on circular economy (exclusively or partially). *Ellen Macarthur Foundation: Circular Economy Funding Report*

According to the [report published by the Ellen Foundation Mcarthur](#), since 2016,

the number of private market funds that invest in circular economy activities (fully or partially). A similar trend is observed in bank loans, the financing of projects and insurance.

Despite still have a relatively small weight in the market, the trend growing is evident and is due to the fact that the market requests it. **If this dynamic continues, the companies that decide to procrastinate or those who decide not to transition to a circular model yet, they will see how their access barriers Funding will increase in the short-medium term, which will impact its cost structure.**

Another agent determined, as the English would say, to hasten the process of transition from companies is the public sector. Starting with the European Commission, which does not is willing, it seems, to allow it to continue to be produced and consumed linear way because it has in the frontispiece of its policies very regarding the climate issue and other *Sustainable Development Goals*.

To avoid the risk of business inaction, the Commission has chosen to apply the principle of prevention and act accordingly.

On the one hand, from the supply side, **stimulating the green offer and developing new, increasingly demanding regulations and a incentive tax policy.** But, on the other On the other hand, the Commission is also acting to increase the **green demand through tools that favor the empowerment of consumers and favors green public purchasing.**

In relation to **consumers**, the Commission proposes a review of the consumer protection legislation of the EU that guarantees that they receive, at the point of sale, reliable and about the useful life of the products, the availability of repair services or spare parts, among other issues. In addition, the Commission proposes that companies accredit the ecological quality of their products through the environmental footprint of the product and the organization.

In the interest of **public purchasers**, the Commission proposes mandatory minimum criteria and objectives of *Green Public Procurement* in the sectoral legislation and is gradually introducing mandatory requirements notification to monitor the incorporation of these green objectives.

It should be remembered that the **aggregate demand from public authorities represents 14% of EU GDP**, so this determination will only create competitive advantages in the short-medium term for those companies that position themselves on time and, consequently, it will hinder the

profitability and volume of business of those that do not decide to position themselves yet.

Moreover, when

We are talking about the Basque business fabric, the need to speed up the transition in the production model is especially important, due to the enormous dependence on raw materials from its industrial sector. The future of ecological transition of the Basque business sector is now or, surely, not be.

This is well known in the Basque administration and the configuration of the new Basque Government and the reorganization of the attributions of economic development, ecological transition and sustainability in the same Ministry is a declaration of intent that the Basque company must know how to interpret good.



Figure 3. Number of Basque companies in ecodesign, productive eco-efficiency and circularity of materials. Ihobe 2019

But the

In fact, the government had already been promoting pioneering instruments to facilitate the ecological transition and the circular economy and a good number of companies Vascas has been working on this process for a long time. In 2019, Ihobe published the number of companies that had worked on ecodesign, ecoefficiency in production and/or circularity of materials within the industrial sector. Specifically, 239 companies had worked in any of the fields mentioned, of which more than 70% were SMEs.

To achieve this,

These companies have been able to take advantage of a whole mix of instruments promoted for this purpose by the Basque institutions and which complete other tools of a more generic nature (i.e. R&D financing).

This is the case of [Basque](#)

a>

[Center \(BEC\), what are you looking for guide environmental product innovation as a factor of competitiveness. To achieve this, it makes available to companies training services and technical training and a network that fosters public-private collaboration to the development of technical projects and the generation of new opportunities for business. The initiative has the Basque](#)

a>

[Hub, which is positioned as the core of the training activity in the field of Ecodesign in the Basque Country.](#)

Other

Interesting initiatives along the same lines can be found at the University of the Basque Country - Euskal Herriko Unibertsitatea. The school of

Ingeniería de Gipuzkoa has set up a circular economy classroom for the development of collaborative projects between public-private agents. Also The Bilbao School of Engineering, for its part, offers a [master characteristic of Circular Economy](#), pioneer to state level for its business approach.

The set of agents of the *Basque Science and Technology Network* offers very significant technological support services and there is a large group of advanced service companies specialized in the circular economy that provide enormous value to small and medium-sized companies in our country.

There is open, Therefore, a range of opportunities for those companies that decide to join the green transition process and materialize said transformation in new and better competitive advantages. In the Basque Country there is infrastructure, funding, training and, very importantly, determining the public institutions to achieve the transition to a circular economic model as soon as possible.

Hopefully the next Ilobe indicator of companies working in circular code will already be five digits.

Jokin Etxebarria
Carlos Cuerda
NAIDER

There are no comments yet.