

The Circular Economy

Toward a More Resilient Future

Introduction

The world as we knew it is no longer viable. Our landscape has been altered beyond recognition by the COVID-19 pandemic, leaving us with an opportunity to completely reimagine what's possible. Air pollution globally has [plummeted](#) thanks to the shutdown of many industrial activities, and literal blue-sky thinking is now available across the globe. A reclaimed appreciation for our environment gives us hope for a greener future.

There is no better time to embrace [Inclusive Growth](#), creating stronger economies and more inclusive societies. What we need now is the blueprint to get us there, and the idea of the “Circular Economy” has recently resurfaced in discussion around the economic development table.

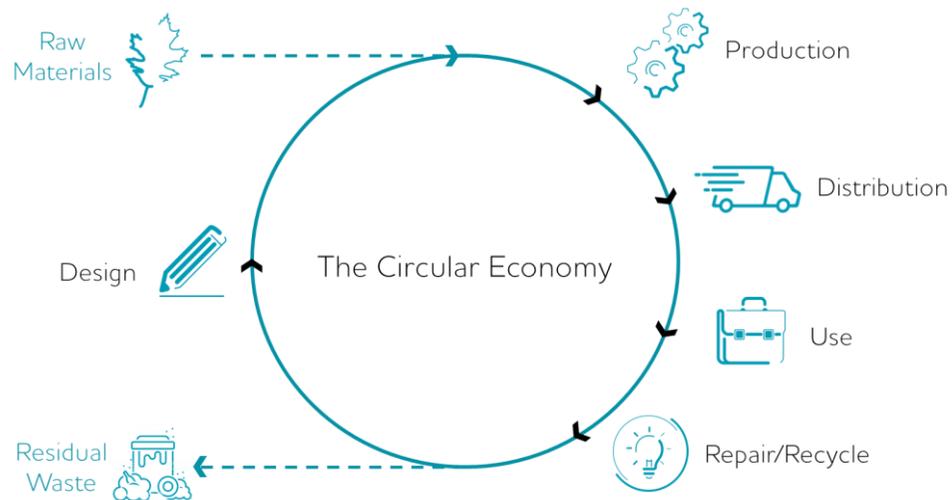
According to Palladium Managing Director Christina Shim, the Circular Economy is not a new idea, and much has been said whilst saying very little about the nuts and bolts.

“The term can be used fairly liberally, which is effective at getting people excited,” Shim explains. “But it can also dilute the concept and confuse people in terms of what is actually means.”

What is the Circular Economy?

In short, the Circular Economy is one that is restorative and regenerative by design. At its most straightforward, it's a closed-loop system based on three principles that support economic activity that builds – and rebuilds – overall system health:

- Designing out waste and pollution
- Keeping materials and products in use
- Regenerating natural systems



Is it a simple concept? Absolutely. But it's one that's struggled to take hold at any scale in the past.

“Companies traditionally have a hard time innovating because they're comfortable with business-as-usual,” says Shim. “They aren't sure how to rethink their business models, and even when they do consider alternatives, it can be difficult to scale due to a lack of infrastructure, cultural and internal inertia, and other barriers.”

Even consumer demand has yet to be enough of an incentive. “Consumers may be intrigued by the idea, but they're rarely willing to pay more or be inconvenienced.”

Despite this, there are examples of the Circular Economy in practice, such as Nespresso, who was heavily criticised for their disposable aluminum pods. In response, they created their own recycling system to collect the pods for recycling, and even partnered with Rio Tinto, a major mining and metals company, to source their aluminum sustainably with environmental and social considerations.

In the wake of COVID-19, organisations worldwide are being forced to reimagine their business models and seek out similarly innovative, inclusive new approaches. With this global wakeup call comes opportunity.

Origins and Applications

Scientists have shown that [the Circular Economy has origins in ancient history](#). From the reuse of broken ceramics to Roman recycling and melting down glass, this is a model with roots in the Bronze Age.

In more recent history, the Circular Economy as a [concept dates back to the 1970s](#), and has evolved significantly over the past 50 years with influence from sustainable development, the green economy, the performance economy, life-cycle thinking, shared value, and eco-design to name a few. The original intention was to promote a world where nothing goes to waste and the opportunities for a greener future persist. By designing out waste and pollution, keeping products and materials in use, and regenerating rather than degrading our natural systems, the Circular Economy represents a powerful tool to achieve global climate targets.

The concept has picked up steam in the past several years following a 2013 report commissioned by the Ellen MacArthur Foundation, and the establishment in 2018 of the [Platform for Accelerating the Circular Economy \(PACE\)](#), launched by the World Economic Forum and over 40 other public and private sector partners.

These efforts are demonstrating that by taking the linear model – one of take, make, and dispose – and closing the loop, we can achieve a sustainable growth model. In this way, the potential benefits of shifting to a Circular Economy extend beyond the natural environment and into economic growth.



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Economic Opportunity

“When the Circular Economy is done right, it creates Inclusive Growth,” says Shim, who specialises in the design of Inclusive Growth strategies. “A waste management system designed for the Circular Economy would not only be more effective in collecting waste, but would create new economic models such as manufacturing using renewables and scraps, energy from biogas released from organic trash, compost, carbon capture facilities, etc. – all creating new job opportunities while protecting the environment.”

And what could this Inclusive Growth represent in terms of financial opportunity? [The World Economic Forum puts the figure at \\$4.5 trillion](#). With increased revenues from new circular activities and lower production costs driving more productive utilisation (thanks to efficiencies gained through the examination of inputs), we can predict significant economic growth as defined by GDP. As Shim notes, the potential for [job creation](#) is also prevalent, with increased spending fuelled by lower prices for higher quality, labour intensive recycling activities, and the need for higher skilled remanufacturing jobs.

Bringing the Circular Economy to Life

Once we understand the underlying principles and potential of the concept, we need to ask ourselves how we can think and behave differently. A transition to a Circular Economy requires a new outlook; market strategies, competitive models and ultimately consumer behaviour need to change significantly. Where can we, as individuals, start to help to make the Circular Economy a reality?

A key differentiator in the circular model is the distinction between consumers and users. In our current, linear economy, we primarily think about individuals as consumers, but is that a necessity? In the Circular Economy, the only materials considered consumable are biological. Technical materials, by contrast, are used rather than consumed. While a subtle distinction, this difference in mindset provides an opportunity to rethink product use, and ultimately manufacturing levels.

The flip side to the consumer coin is, of course, that of the capitalist. Where is the benefit in reduced manufacturing to the manufacturer? We may produce less, but we do it smarter, increasing efficiency in our manufacturing processes and, as a result, increasing profits. The shift to a Circular Economy means more recycled inputs and less virgin material, reducing cost uncertainty and increasing resilience. The threat of supply chain disruption is mitigated.

Systemic Shifts Post-COVID

As we move past the current pandemic crisis and into global recovery, we're presented with an opportunity to redesign a sustainable, inclusive economy. This will be no easy feat, and systemic solutions are required. Shim imagines this new world as one where different systems and industries have collided:

“What if we were able to combine industries to create a system where farmers and miners use biogas from a waste management facility, the mining company provides water to farmers from their water runoff treatment plants, farmers provide food locally for workers in all industries while also supplying a food manufacturing company, and the food company provides the biowaste for the waste management company to create the biofuel?” she asks.

“We're talking about opportunities for businesses to integrate with their business ecosystem, reducing their burden and sharing responsibilities with partners in new business models and new revenue streams.”

Circular thinking gives us a chance to provide economic, social and environmental benefits; to revitalise industries while preserving vital biodiversity systems and tackling climate change. This closed loop approach presents the opportunity for sustainable growth – a latticework representing interconnected businesses that build resilience for everyone.

Let's not waste this opportunity.



Palladium is a global impact firm, working at the intersection of social impact and commercial growth. For over 50 years, we've been helping our clients to see the world as interconnected – by formulating strategies, building partnerships, and implementing programs that have a lasting social and financial impact. We simply call this “positive impact”.

We work with corporations, governments, investors, communities, and civil society. With a global network operating in over 90 countries, Palladium is in the business of making the world a better place.

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