

# Circular economy and the National strategy for economic transformation



Submitted by Scottish Environment LINK's [A Circular Economy for a Fairer Footprint](#) project

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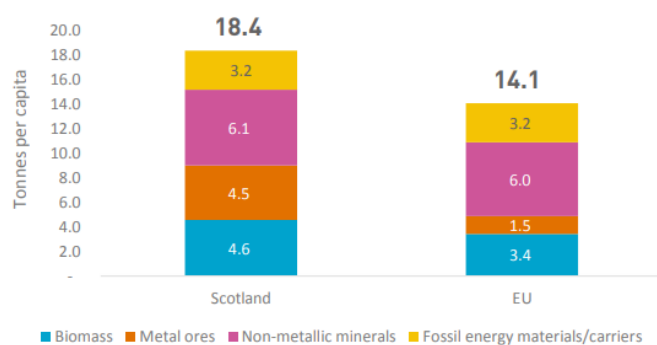
**There is a strong imperative to move to a more circular economy. Scotland's fiscal policy, economic strategy and budget should be aligned to that purpose.**

## 1. Why do we need a more circular economy?

In essence, we will fail to end our contributions to climate change or biodiversity loss unless we change from a linear to a circular economy. A circular economy is also more resilient with increased security of supply, reducing reliance on long and just-in-time supply chains; and offers a range of jobs and [employment opportunities](#).

The UN has [found](#) that resource extraction and processing causes 90 per cent of biodiversity loss and water stress around the world, as well as 50 per cent of global carbon emissions. In Scotland about 80% of our [carbon footprint](#) is from the goods and services we consume and use, and recently published [Material Flow Accounts](#) show that our material footprint per capita is 20% more than the EU average and over double what is considered sustainable (8 tonnes per person per year). As our planet's resources become more scarce, it is the poorest who will be most impacted.

**Scotland's Material Footprint** (source: Zero Waste Scotland, 2021)



The nature and scale of our consumption of goods is at the root of environmental degradation.

Although we are slowly getting better at recycling<sup>1</sup>, we basically have a linear economy where new raw materials are extracted for each product and far too much is wasted as items are quickly thrown away. We disturb and pollute habitats around the world and produce carbon and other emissions at each stage of the lifecycle of products - from the mining of minerals and clearing of land for plantations, to the transportation of materials, to the managing of waste.

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<sup>1</sup> Rates have recently stagnated at about 60% for all wastes and 45% for household waste - note Wales achieves about 65% household recycling rate

We need to redesign our linear economic model to one that is more circular, which uses natural resources more wisely and wastes less. A more circular economy is based on three principles. Designing out waste and pollution; keeping products and materials in use; and regenerating natural systems.

## 2. How do we get to a more circular economy?

Although important, individual measures such as banning single use plastics or putting charges on coffee cups are not enough. It is also not just about increasing household recycling rates. We need change across our economy driven by the imperative to use less raw material, such that:

- Production is based on the use of secondary, as well as renewable, raw materials.
- Products are designed to last as long as possible and the services to repair them accessible and affordable.
- New business models optimize the use of materials, such that products that are idle for much of the time (for example cars, tools) are shared.
- Harmful chemicals (which prevent safe recycling) and materials that are difficult to recycle, as well as single-use items where practicable reusable alternatives exist, are phased out.
- Natural systems as the foundations of economy, as well as life on Earth, are regenerated.

### Scotland's Economic Strategy should:

- **Clearly set out that the economy of the future is circular, and**
- **Be fully aligned with the need to transition to a circular economy.**

As clearly set out in Ellen MacArthur Foundation's [Universal Circular Economy Policy Goals \(2021\)](#), governments need to:

**a. Make the economics work.** Create economic incentives and set regulatory requirements that enable circular economy solutions to become the norm rather than the exception, thereby unlocking benefits at scale:

- Aligning taxation and charges with circular economy outcomes. For example, lobbying Westminster for reduced VAT rates on repair and refurbishment, and introducing modulated fees as part of extended producer responsibility schemes.
- Reforming and, where relevant, introducing subsidies. For example, removing any subsidies on fossil fuel extraction and using them to encourage the uptake of renewable and secondary materials, or supporting repair and reuse.
- Attaching conditions to government funds so that all public spending is aligned with a transition to a more circular economy.
- Using public procurement to support circular enterprises.

**b. Invest in innovation, infrastructure and skills.** Invest public money, and stimulate private sector investment, to support innovation and develop the necessary infrastructure and skills to be at the forefront of the transition:

- Providing interdisciplinary research and development funds.
- Ensure on-going early-stage funding to support innovation.
- Supporting blended finance solutions for physical and digital infrastructure, such as reprocessing plants or material tracking systems.
- Developing training programmes and apprenticeships.

Examples of relevant fiscal policies in use in Europe are summarized in this [paper](#).

### **3. Next steps**

An ambitious ten year national strategy for economic transformation must have a transition to a much more circular economy at its heart. Net zero requires this as does global biodiversity recovery as does our moral duty to consume 'our share' of the Earth's natural resources. The Strategy must provide the direction and set out the tools that Government will use in order to give business confidence in investing in circularity. This transition will rely on legislation and regulation. A bold circular economy bill needs to bring in binding targets on reduced raw material consumption (our material footprint) and a duty to produce circular economy plans which map out how to reduce our footprints, obligations on different sectors and how to address problematic materials. A more detailed briefing on the circular economy can be found [here](#).

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