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Brexit: a death knell for the circular economy?



Caroline Hand
Lead commentator- Croner-I Environment and Sustainability at Wolters Kluwer (UK) Limited <http://www.wolterskluwer.com>

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At this point after the Referendum, the only thing that is certain is uncertainty. Caroline Hand looks at the options and makes some tentative predictions as to how the circular economy will fare.

When it comes to the environment, most commentators agree that EU legislation has had a positive impact, e.g. reducing air and water pollution, keeping valuable materials out of landfill and conserving natural habitats.

In consequence, the vast majority of environmental professionals who were polled voted to remain in the EU. Strong expressions of dismay at the result of the referendum have emanated from a variety of public figures, such as former Secretary of State for the Environment Lord Deben, who described Brexit as the "biggest example of self-harm done by a nation for probably 200 years".

One of the specific concerns relates to the EU circular economy package: although the details remain to be fleshed out, this would raise the EU recycling target to at least 65% by 2030, update the main waste directives and provide support to various circular initiatives. Environmental lawyer Simon Colvin said "[The circular economy package is] so all-encompassing in terms of the products we use and the waste we generate it was going to catalyze so many things in so many areas. And that's just gone now really, in one fell swoop."

But is such hand-wringing truly justified? The freedom to legislate for ourselves could be used to set even higher environmental targets. Philip Simpson, commercial director of ReFood, says: "Free from the shackles of EU red tape, Defra has a critical role to play in setting such targets [to recycle food waste] and can help Britain to implement waste management laws at a far greater speed — tailored with the country's needs firmly in mind."

Smaller businesses in the waste industry look forward to a reduction in red tape which could help them to compete more effectively with the large corporations. Paul Killoughery, managing director of London-based food waste collection and recycling company Bio Collectors, said that, "On balance, I feel that all SMEs, like us, would be better off if we left the EU... I don't think a Leave vote would adversely impact our business or the waste management industry in general."

The two basic options

The Government is faced with the task of building a new relationship with the EU which will best meet the needs of a post-Brexit UK. We must decide whether to remain a member of the European Economic Area (EEA), or trade with the EU as an independent member of the World Trade Organization (WTO).

If the UK remains within the EEA, most of the EU's environmental legislation will still apply. This would include the Landfill Directive, WEEE Directive, and any other legislation relating to the single market. The only environmental laws that would no longer apply are the Birds Directive, Habitats Directive and Bathing Water Directive. Non-mandatory aspects of the circular economy package would not apply, but it would be in the interests of the UK to keep its resources policies in line with those of the rest of the EU, in anticipation of future legislation. The UK would, however, lose EU funding for initiatives that emanate from the circular economy package, and would not have a say in the development of future EU waste legislation.

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While this option would be the easiest in terms of trading relationships, as things stand, it is unlikely to be pursued as it would require the UK to carry on allowing the free movement of people.

The other basic option is to leave the EEA and operate as an independent member of the WTO. In this scenario, most environmental legislation would no longer apply but the UK would still have to meet EU product standards when trading with Member States. This would mean continued compliance with aspects of the WEEE Directive such as heavy metal content and labelling. If the circular economy package introduces standards for recycled content of products, the UK would also have to comply with those.

Benefits of the EU circular economy package

The concept of the circular economy did not emanate from the EU Commission. Rather, the pioneering work has been done by think-tanks such as the Ellen MacArthur Foundation, radical innovators such as Sophie Thomas at the RSA, and new "disruptive" businesses which exploit the potential of the internet and new technology. Global corporations had already initiated circular programmes — in developing reusable and recyclable products — and the waste industry had rebranded itself as the "resources sector", before Brussels finally got on board. So what unique contribution does the EU package make?

Funding

First, and perhaps most importantly, the EU provides funding for circular economy initiatives. The UK has already benefited from the LIFE scheme which helped to finance the electronic duty of care (EDOC) and a the European Pathway to Zero Waste programme which, among other things, set up a waste exchange in southern England. Whereas big business can afford to set up its own projects, SMEs are more dependent on external funding. As recently as September, it was announced that EU funding will help SMEs in Wales develop circular business models. The Circular Economy for SMEs (CESME) project, which was launched in Cardiff in May, is supported by €1.73 million (£1.45 million) of Interreg Europe funding and is being delivered by 10 partners from 6 European countries.

Research

While the circular economy package contains quite a few general pledges to investigate issues of concern, the Commission has made a firm promise to fund research into circular products and business models. The Horizon 2020 work programme 2016-2017 includes a major initiative, Industry 2020 in the Circular Economy, which will grant over €650 million for innovative demonstration projects that support the objectives of the circular economy and industrial competitiveness in the EU in a wide range of industrial and service activities.

Trade and standards

Trade does not feature prominently in the package, but the Commission does promise to simplify the procedures for trade in secondary materials, and take further steps to police the trans-frontier shipment of waste. And the EU has significant competence in the related issue of product standards: the circular economy package contains pledges to develop new standards for waste-based fertilizers to encourage the circulation of organics. The Commission will also propose mandatory product design and marking requirements to make it easier and safer to dismantle, reuse and recycle flat computer and TV screens.

Fears surrounding Brexit

A number of specific concerns have been raised by the UK resources sector regarding the possible negative consequences of Brexit. One very practical issue is the trade in refuse-derived fuel (RDF) (produced through the treatment of municipal waste). At present, the UK does not have the infrastructure to burn all this RDF so a large quantity is exported to mainland Europe. Some fear that RDF could end up in landfill if the UK leaves the EEA — although of course this could encourage the development of more home-grown facilities.

The circular economy package would introduce a new municipal waste recycling target of 65% and a packaging recycling target of 75% by 2030. Outside of the EU and EEA we would be under no obligation to strive for these and could linger on the current plateau of around 44% (for municipal waste). However, it is worth noting that for the waste and resources industry, the issue of greatest concern is the market for secondary materials. Higher targets for collection of recyclables from the public will be to no avail if there is no market for the reprocessed materials.

Bottom of the in-tray?

More generally, there are fears that the UK Government could choose to ignore waste and resources altogether. Jacob Hayler of the Environmental Services Association (ESA) commented that the result of the referendum risked placing the waste and recycling sector "at the bottom of the government's in-tray". Thanks to the highly prescriptive nature of EU waste legislation, Defra has not felt the need to draw up an English waste policy for the years beyond 2020. Once out of the EU, this will leave a policy void.

Going it alone

Does Britain — or more specifically England — really need the EU to kick

start the circular economy? There are strong economic incentives to increase the circulation of resources. According to a recent report undertaken by Imperial College London, a closed-loop society could boost the UK's economy by 1.8% and its employment levels by 10% by 2025. This would add £29 billion to national GDP and create 175,000 new jobs. Another report from the Green Alliance found that 200,000 jobs could be created by 2030 if the UK continues on its current circular economy development rate.

The devolved governments are already committed to the circular economy. Scotland published its strategy Making Things Last in February, and Wales has several initiatives underway, including a new British Standard for the circular economy. Their ambitious policies extend well beyond 2020 and are already producing results, such as the diversion of food waste from landfill in Scotland. There would be nothing to stop England from following the lead of Scotland and Wales, although it has to be noted that the devolved administrations have more government funding per capita to spend on the environment.

Choosing how to spend...

Once Britain is no longer paying contributions to the EU, the Government will be free to decide how to spend the money they have saved. The withdrawal of public funding from the successful National Industrial Symbiosis Project, which generated financial savings to business far exceeding the Government's investment, shows that policymakers are not all necessarily aware that a circular economy is conducive to economic growth. Now is the time for supporters of the circular economy to make their case to ministers, and demonstrate the substantial benefits that arise from circulating our valuable resources rather than consigning them to oblivion in landfill.

...and how to regulate

Brexit will create the opportunity to develop legislation and policy that is better tailored to UK conditions. There have been discussions within the EU about clamping down on commingled recycling collections, in a more rigid interpretation of the Waste Framework Directive's requirement for segregated collection. Local authorities may be relieved at the chance to keep their "Technically, Environmentally and Economically Practicable" commingled systems. Food waste collection is another area where Brexit could allow for the introduction of higher standards — perhaps even a ban on the landfilling of food waste. This would give a boost to the anaerobic digestion sector and would also create consistency across England.

The return of the Dirty Man of Europe?

Some of the more doom-laden prophecies predict a return to the bad old days of the 1970s when the UK was "the dirty man of Europe" (as a result of poor bathing water quality). But in actual fact, Britain has had a significant input into EU environmental law through the involvement of our scientists and regulators in the development of innovative policies such as Integrated Pollution Control. Is the Government likely to abandon all the environmental gains that have been made during its decades of EU membership?

This is certainly not the case for climate change policy, where the UK's pioneering Climate Change Act 2008 leads the way in Europe. And when it comes to waste and resources, the referendum result coincided with the release of success stories which show that, independently of any pressure from the EU, the UK is making strides towards a more circular economy. Eurostat's latest statistics reveal that Britain and the Netherlands are the most resource-efficient countries in Europe. Furthermore, the Waste and Resources Action Programme (WRAP) has just published its annual review describing the significant progress that has been made in reducing waste in the food, textiles, hospitality and electrical sectors. With the Courtauld commitment entering a new phase, this trend is set to continue. And ironically, the EU has just awarded a prize to the Environment Agency's EDOC system.

Derbyshire's own Dame Ellen MacArthur has pioneered and publicized the circular economy concept, inspiring the EU Commission to adopt circular economy thinking. The influence of her Foundation extends worldwide, with many major global corporations having signed up to the CE100 initiative. The conclusion seems to be that the circular economy is a lot bigger than the EU package, and although EU legislation is likely to give it a boost in Europe, the UK has every incentive to pursue a circular economy and reap the economic, as well as environmental, benefits that it promises to bring.

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