

Summary Note

Competitive Sustainability Roundtable

February 21, 2022 | 12:00 – 13:30 CET

About CLG Europe

CLG Europe is a climate-focused progressive business platform which seeks to seize the opportunity presented by the new five-year term of the European Parliament and a new European Commission to successfully influence Europe's response to climate and related challenges. It is convened by the University of Cambridge Institute for Sustainability Leadership (CISL). CLG Europe provides a voice for business that is influential, cross-sectoral and pan-European, bringing together world-class thought leadership, high-level policy-related convening and impactful communications and engagement.

Background Information

Economic performance and competitiveness are integral to the sustainable transition ('1.5 degree' aligned pathway and Net Zero by 2050). This requires a paradigm shift in definitions of competitiveness: from GDP to wellbeing (Macro level); from sectors to ecosystems (Meso level); and from shareholder value to stakeholder value (Micro level).

Mission-oriented, systematic innovation is a cornerstone to meeting EU 2030 & 2050 targets. Competitiveness in the transition to a sustainable, climate-neutral economy will be determined by innovation investment to meet societal needs while respecting planetary boundaries. Competitiveness indicators must align to the new reality of competitive sustainability both at policy and corporate levels.

Competitive Sustainability

Competitive Sustainability is a concept at the heart of European Commission strategic planning within the 2020 Annual Sustainable Growth Strategy, European Green Deal and 'Fit for 55' package, Covid-19 Recovery and Resilience Plans (RRPs) as well as the New Industrial Strategy for Europe.

CISL's working definition of Competitive Sustainability is: "the ability of an economy, companies, and industrial ecosystems to excel relative to international competitors in their transition to a sustainable economy – with climate neutrality at its core – through investment in the necessary innovation."

Further information on Competitive Sustainability can be found in our 2020 report [found here](#).

CLG Europe and CISL's upcoming work

CISL is developing a tool to assess Competitive Sustainability performance, building on EU Taxonomy. This tool is focusing initially at country level and envisaged to expand to corporate level. CLG Europe has also created the Taskforce on Climate Neutral and Circular Materials and Products – a group of leading companies whose objective is to drive the development, implementation and support of more ambitious, future-proof policies, programmes and initiatives in Europe. The Taskforce launched a policy briefing on the Sustainable Products Initiative on 16 December 2021.

Summary of Discussion

(Chatham House Rules)

Attendees

The roundtable was attended by business leaders and government officials. Industry businesses leaders represented construction, aluminum, energy, and lighting. Officials represented European governments from Economic Ministries and the European Commission.

Context of the discussion:

Raw Materials was discussed during the January Informal Competitiveness Council. It is regularly addressed during Competitiveness Council debates and is on the agenda for the February Council.

At the May 2021 Competitiveness Council, the focus was upon the geopolitical issues relating to the securing of Raw Materials. Here and in other discussions, there was little reference to the effective, and circular use of raw materials as an additional solution to ensuring a future supply of raw materials.

Background: Raw Materials and Circular Economy

The European Commission Report on Critical Raw Materials (CRMs) and the Circular Economy (2018) highlights the benefits of a circular economy approach towards raw materials:

- ❖ Just as extraction of primary CRMs in Europe helps to ensure security of supply of raw materials to European industry, so does their resource efficient management throughout the lifecycle and the recycling of waste into secondary CRMs.
- ❖ Energy use (and associated CO₂ emissions and other emissions to air) and water use are typically much lower for secondary CRMs than for primary CRMs.
- ❖ Other environmental benefits of a more circular use may include for instance lower impacts on the biosphere (rainforests, arctic regions, ocean floors etc.) and/or less waste produced per tonne of material extracted.

What role does the Circular Economy have in meeting Climate Neutral Goals?

Efforts to tackle the crisis have focused on a transition to renewable energy, complemented by energy efficiency. These measures can only address 55% of emissions. The remaining 45% comes from producing the cars, clothes, food, and other products we use every day.

Applying circular economy strategies in just five key areas (cement, aluminium, steel, plastics, and food) can eliminate almost half of the remaining emissions from the production of goods – 9.3 billion tonnes of CO₂e in 2050.

Circular economy has the potential to increase resilience to the physical effects of climate change. For example, in keeping materials in use, businesses can decouple economic activity from the consumption of raw materials vulnerable to climate risks, and therefore build greater flexibility

Framing the discussion:

In advance of the Roundtable, participants from Member States were asked to reflect on the following topics:

1. Challenges arising around material scarcity in Europe
2. How you see the role of the Circular Economy in addressing these issues
3. The policy needed for competitive advantage from an integrated approach

Participants from Businesses to give their views on the following topics:

1. Challenges faced around material scarcity in Europe
2. What innovation you have used to overcome these issues in your business
3. Examples of competitive advantage from an integrated approach

Highlights from the discussion:

❖ EU Actions on Raw Materials

Policymakers gave updates on actions they have taken and plan to take with regards to raw materials and competitiveness. They assured stakeholders that there has been a growing interest in raw materials, as well as the links to the digital transition and towards building greater resilience within the EU (as highlighted by the 2020 Action Plan). There is ongoing debate on raw material dependencies and stockpiling, as well as the dangers of creating artificial prices. Policymakers gave examples of key initiatives and partnerships, which aim at diversifying and securing supplies.

These included the EU Africa Summit, European Recovery Plan, CHIPS Act, European Battery Alliance, Action Plan on Raw Materials, CBAM, IPSE projects, and HERA. Policymakers highlighted the need for investment, legislation, strategic partnerships and minimum recycled content requirements. While acknowledging pressure against domestic mining, participants stressed the need for taking more responsibility.

❖ The role of circular economy in reducing dependencies

Circularity, and the circular economy, was naturally a central theme at the roundtable – in particular, as it plays an important role in reducing dependencies on materials and trading partners. In order to do this, there is a need to design products to use less and more secondary materials. In addition, there is a need for substitution of critical raw materials. It was agreed by all that a greater emphasis must be placed on sustainability, circularity and reparability.

A key priority to the business representatives on the call was to improve recycling within the EU. In order to get to nearly 100% recycling rates, there must be minimum recycled content

requirements, more recycling infrastructure, more remelting capacity (for certain metals such as aluminum), and well-designed deposit schemes (DRS schemes). There also is a general need for investment in recycling, especially in southern European countries.

In addition to the need to reduce dependencies on virgin raw materials, it was agreed that to achieve a more circular economy, there is a need to work on all fronts to develop more access to primary and sustainable resources within the EU.

❖ **Integrated European Policy Strategy**

It was agreed by all that a more integrated European policy strategy is needed. Business leaders recognized the many good intentions of policymakers, however, stressed that getting the details correct is vital. In addition, they stressed that there should be a focus on resolving conflicting priorities. Policy measures discussed at the roundtable which require an integrated approach were the Carbon Border Adjustment Mechanism and the Circular Economy Action Plan, including the Sustainable Products Initiative.

❖ **Vulnerability of Supply Chains**

Business leaders agreed that the EU continues to be a leader in sustainability and innovation, however, they warned that there is a considerable vulnerability to its supply chains, which rely on importing of materials. It was noted that the pandemic, in particular, had exposed such vulnerabilities.

❖ **Innovation**

Innovation was a central theme throughout the conversation. Innovation is a fundamental driver of circular economy and there is a recognized need for innovative business models. Business leaders, even those not directly involved in manufacturing and to whom raw materials hit indirectly, spoke about the importance of implementing innovation throughout their entire supply chains. In addition, they spoke about their goals of extending the life of their assets, increasing efficiency and supporting R&D.

❖ **Finance**

There was an appreciation by policymakers that more needs to be done via finance mechanisms and through the support of investment. Representatives from smaller countries stressed the need for more subsidies and for business partners to cover them. Meanwhile, representatives from business suggested the need to 'cut off the bottom' of the market to stimulate it.

❖ **Social Acceptance**

Policymakers and business representatives both expressed concerns about the social acceptance of various actions and policies. For SMEs and countries that are poorer or more conservative, the question of sustainable and circular materials is a new and scary topic. As such, they are not always particularly interested. More subsidies and support for these stakeholders will be needed to make progress. On a different note, sourcing more raw materials within the EU will require an increase in mining. This is recognized as a difficult topic due to the social acceptance of mining. It will be important to improve communication and information given to the general public.

❖ **Importance of Collaboration**

Policymakers and business representatives both emphasized and recognized the importance of dialogue and collaboration between and amongst each other. In addition, collaboration between industry and academia was highlighted for its importance.