

HORIZON 2020 – INDUSTRY – Innovation & Research Action

Topic: New models and economic incentives for circular economy business

<http://ec.europa.eu/research/participants/portal/desktop/en/opportunities/h2020/topics/2360-circ-04-2016.html>

Introduction

It is well known that climate change is changing our society to the core¹. Without action the impact on economy, health and environment will be dire. Demands on companies are expected to grow, while new opportunities will arise for companies aiming for the circular and resource efficient economy. Project INVALUABLE aims to explore these opportunities and describe how they can be supported and scaled up with reduced climate impact, more efficient energy use and increased job creation possibilities.

Project aim

Project INVALUABLE (Incentives for Value Adding Business Leadership in Europe) will contribute to business transformation to circular business models.

The project will identify barriers and opportunities a select group of companies are facing while they are adapting to the circular economy and transforming their business models.

On this basis various incentives and policy measures will be analyzed and conclusions drawn on how to develop incentives to further a transformation where companies can develop profitable business models with low emissions and supported employment.

The project thus delivers to the topic New models and economic incentives for circular economy business² within the Horizon 2020 programme.

Background

The energy systems are the core of both cause and effect and it is through its' transformation that many solutions can be developed. Successful transformation towards zero emissions demands a broad approach aiming for a completely renewable energy system in a resource efficient society förnybart energisystem where innovations underpin both employment and environmental actions.

In a resource efficient and circular economy, as supported by the Swedish government and others³, there are both obstacles and possibilities. In some sectors and types of business, opportunities are clear, such as within recycling and cleantech. For others, such as traditional and heavy "base industry"⁴ opportunities are harder to come by. Opportunities range from low hanging fruits to major strategic, operational and business model transformations to reach renewable energy and fuel solutions and low emissions of greenhouse gases.

The need for learning is great, but there are also success stories and significant potential for knowledge sharing, systemizing and conclusions to be made. Especially concerning the types of incentives needed to further the development and adoption of circular business models. IVA are carrying out a project related to this, but without focusing on energy efficiency and the services sectors which this project will approach⁵.

¹ Alfredsson, Eva och Karlsson, Mikael (2016) *Klimatpolitik under osäkerhet – kostnader och nyttor, bevis och beslut*. Underlagsrapport till Miljömålsberedningen. Under utgivning på Tillväxtanalys. 2CIRC-04-2016.

³ Regeringen (2015) Circular economy – elements of the new proposal. SE Non-paper 2015-06-26 (se vidare på: <http://www.regeringen.se/contentassets/eb8110de24394134920d420fe30bc928/circular-economy--elements-for-the-new-proposal.pdf>; Regeringen (2015) Sveriges exportstrategi (se vidare på <http://www.regeringen.se/contentassets/e2b2f540107143e99907cbe604a87ce2/sveriges-exportstrategi.pdf>).

⁴ Energimyndigheten (2015) *Industrins långsiktiga utveckling i samspel med energisystemet*. ER 2015:18. Energimyndigheten: Eskilstuna.

⁵ IVA (2015) *Resurseffektivitet Fakta och trender mot 2050*. Se vidare på: <http://www.iva.se/globalassets/info-trycksaker/resurseffektiva-affarsmodeller/201504-iva-rfsk-rapport1-d.pdf>.

Project idea

The business model is the tool or the formula by which the company creates its revenues and profit. It is the tool that creates customer value and thus secures the survival of the company. Several circular business models have proven successful and the expectations within the field is growing. Given the increased global resource shortage, its is a reasonable prediction that linear business models will become gradually or abruptly non-profitable. That the majority of European companies work with linear business models is clearly problematic. The need for change is imminent and the project will thus identify and develop various types of circular business models that can provide increased profitability through better customer offerings (value propositions) simultaneously with increase environmental prestanda and reduced vulnerability towards market and resource volatility. In order to stimulate an increased number of companies to use circular business models more understanding is needed regarding the building blocks and drivers, spurring the use of circular business models in specific companies and sectors.

In general, a company's business model is said to contain components within these three main categories:

-Resources and competences

-Organization

-Value proposition

These are equally important in circular business models. The project will identify critical success factors and bottle necks within each of the three building blocks, and compare composition, structure, organization and construction of each of the important elements within each block. The project will focus on investigating companies that work with linear as well as circular business models within energy and energy efficiency measures and the services sector, or could move into the services sector. The comparison should focus on important differences in organization, resources, competences and creation of value propositions. The project will test the hypothesis that the company's way of preceiving, valuing and handling internal and external resources and competences will result in different business models. Differences could explain why companies facing challenges like low profitability, reduced customer satisfaction, resource shortage and uncertainty fail to change their business models. The project will analyse similarities and differences in circular business model efficiency in different parts of the value chain. This will enable identification of gaps and build a base for analysis of how existing business models could change and how bottle necks could be handled. This will provide input into developing policy measures and other incentives stimulating change will result in recommendations and suggestions aimed at companies as well as the political sphere.

All in all the project will contribute to develop the field of knowledge regarding circular business models, which will lead to significant energy and resource savings with high potential for job creation. Te project will deliver this by looking at various parts of the value chain and identifying possibilities for increasing value and reducing energy and materials consumption in each step of the chain. This will help deliver EUs climate goals for 2050 but also reduce the dependency on external energy resources like oil. Also the job creation aspect adds value to the stability of the European Union.⁶

Finally the project aslo helps deliver to the newly adopted UN goals # 12 Sustainable consumption and production patterns och # 13 Climate change.

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<https://www.2050.se/>



⁶ http://www.eea.europa.eu/about-us/competitions/waste-smart-competition/recycling-rates-in-europe/image_view_fullscreen