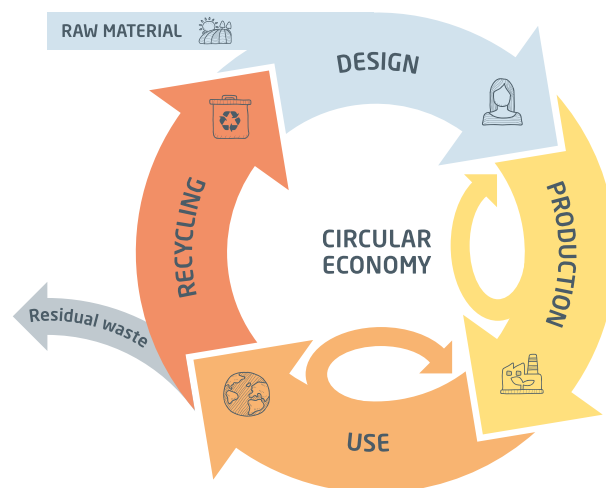


Circular economy for a competitive and sustainable business community in Sweden

A growing global population and an expanding middle class around the world are increasing demand for a variety of goods and services, and thus on the natural resources required for their production. According to the OECD, global material consumption is expected to increase more than two-fold between 2011 and 2060, which could result in an actual shortage of resources. The climate issue is one of the biggest challenges of our age, and it is closely linked to society's consumption of resources. Increased consumption of material naturally results in growing volumes of waste. A part of the solution to these challenges is to be found in switching from a linear to a circular flow of materials. Such an approach results in resources being handled more efficiently by ensuring that as much of them as possible is retained and reused in one form or another.



The Confederation of Swedish Enterprise takes as its starting point in the EU Commission's description of circular economy as an economic system *where the value of products, materials and resources is maintained in the economy for as long as possible, and the generation of waste minimised*. In a circular economy the flows of materials and products are merged to form a mesh of interlinked circuits, where the end point of one process becomes the starting point of another. This entails the different phases in product life cycles becoming increasingly dependent on one another.

And this is the source of both opportunities and challenges. The foundations comprise “resource efficiency”, a concept that goes hand in hand with business benefit, and which is an obvious choice for the business community. At the same time, each link of the chain must have a more finely developed holistic perspective than in a more linear economy, and closer alignment with other players and processes is required in value chains that often take on truly global dimensions. The cultivation of a more circular economy is thus inevitably an international, cross-border process that has free trade and harmonised regulations as key cornerstones. The profitability and international competitive strength of Swedish companies set out fundamental preconditions for the work of the country towards a more circular economy. Sweden is far advanced but needs to go even further and, in particular, to clarify and reinforce the working relationship between societal players in jointly identifying suitable routes for Sweden’s work towards a more circular economy.

Sweden and Swedish enterprises are particularly well-placed to take on a leading role in the development of a circular economy. Swedish enterprises possess deep pools of knowledge and skills in resource-efficient production, and in identifying, developing and delivering resource-efficient goods, solutions and services. The country also has excellent access to natural resources, conditions for promoting bioeconomy, a world-class industrial sector, skilled innovators and strong commitment to investing in a fossil-free society.

The business community has a key role to play in development towards a circular economy. The Swedish business community has lofty ambitions as regards circular economy, and is prepared to take on a driving role.

Through this document, our aim is to contribute to Sweden’s work towards a circular economy by highlighting what we believe is needed for Sweden and Swedish enterprises to take the lead in delivering a circular economy. We look forward to continuing to work on these issues in partnership with other players from society.

Key principles for circular economy

- 1. The business community has a significant and central role to play in the development towards a more circular economy. Long-term perspective, business acumen and profitability are self-evident starting points for the involvement of the business community.**

The circular economy entails new business opportunities and new business models for the business community. At the same time, it may require complex transition processes that assume the opportunity to achieve profitability in new ways. These changes will take place progressively, powered by market conditions. Technology development and investments are required for the transition, which assumes an investment-friendly climate and a long-term perspective. Continued research and innovation are required. Research must be firmly anchored in the business community so as to ensure correct prioritisation. Focus should be on commercialisation of solutions and how to generate the greatest possible benefit.

- 2. Sustainable development with the emphasis on balancing environmental, social and financial factors should constitute the basis for political decisions and the preparation of measures that promote a circular economy.**

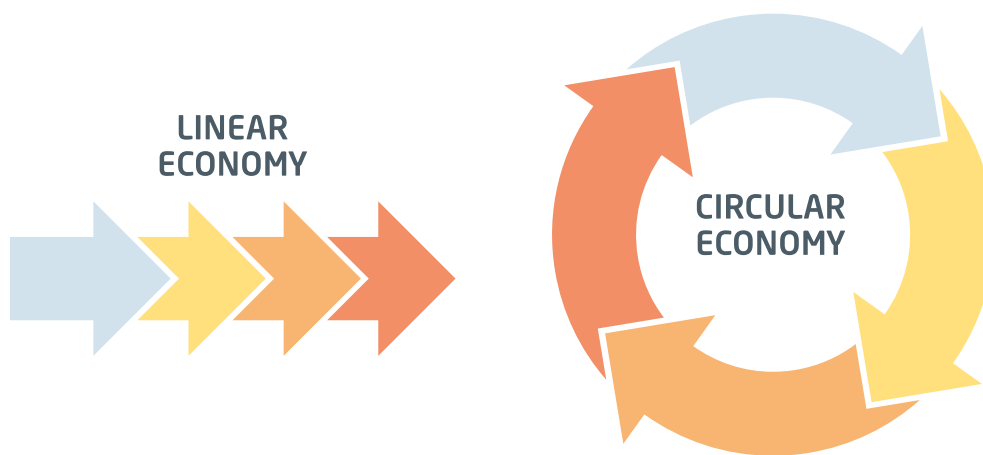
Circular economy is a global mega-trend and a phenomenon that is set to change our society. The starting point of the work with circular economy must therefore be the UN Sustainable Development Goals in a longer-term perspective – which includes both the competitive strength of the business community and elevated resource efficiency. In a circular economy where more and more flows are linked together, a more finely developed working relationship is required, not only within the business community, but also across value chains and sector boundaries and between decision makers, enterprises, academia and the public sector – at both national and international level. The business community is striving for a constructive dialogue and a solid working relationship with other players in society.

3. **The international perspective is crucial to the work towards a circular economy, given that numerous material and product flows are global. Free trade is a fundamental precondition, and regulations must be adapted so as to preserve and protect free trade.**

Sweden's presence and competitive capacity on the global market are crucial to the country's economy and ability to make a difference. As trade flows and value chains span the globe, the business models and regulations of the circular economy must take on a broader – ideally global – geographical perspective in the form of trade agreements, international protocols and global standards. The large-scale flows that distinguish international trade also serve as a powerful tool for efficient resource management through cost-efficient circulation of material and products. It is important that policies for trade and circular economy support one another.

4. **The preconditions for circular economy are different in the various sectors that make up the business community. It is important to take into account that different solutions and models are needed for different sectors, materials and products.**

Sweden and the Swedish business community are well-placed to take a leading role in the development towards a more circular economy. The opportunities and challenges in circular business are different as they apply to different players in the business community, depending on where in the economy the players are active, how they interact with other players, and whether their customers are other companies, public sector players or private consumers. There are also major differences for the export industry and the local business community as regards the possible design of the range of circular products/services. Different solutions and measures are therefore needed for different sectors as regards both policy and instruments of control, and these must be developed in partnership with the various sectors.



5. **Consumer focus is central to the work towards a more circular economy given that consumers have a key role to play through their actions – as regards their choice of products, how they handle them and how they ensure they are recycled.**

Consumers in the broadest sense – private consumers, public sector purchasers and enterprises (business-to-business) – have a significant role to play in linking up the flows of the circular economy. Their behaviour here interacts with both the market and the applicable legislation. Consumer action as regards choice and handling of products is of crucial significance to how well a more circular economy will function. By making the right requirements, public sector procurements can support society in its work towards greater resource efficiency and a more circular economy. Design that sets out conditions for resource efficiency and recycling is essential, but it must also ensure corresponding functionality, safety and/or service life, and it must be priced competitively if it is to be chosen by consumers.

6. A more circular economy requires efficient, large-scale flows where recycled material and by-products are accorded the same conditions as virgin material.

Using resources and materials more efficient is a cornerstone of Swedish competitive strength. Improving service life and the level of recycling for materials is a key to achieving a more circular economy. Different conditions apply to different types of material, and the markets for certain materials need developing. In order to boost the use of recycled material and by-products, they must be accorded the same conditions and the same market terms as virgin materials. It may be necessary to update product and project standards and technical specifications. Both the public sector and the business community have key roles to play in contributing to a functioning market for recycled material and by-products by generating demand

7. Governing instruments have to be harmonised both at EU level and internationally, so as to improve conditions for trade and enterprises linked to circular economy. The concept of waste must be redefined such that it is viewed as a resource.

Instruments of control and incentives may be needed to stimulate growth of the circular economy, but they should be applied with caution. If they are used, the focus should be on correcting market failures and applying control as close as possible to the problem. Instruments of control should be technology neutral and harmonised, and before they are introduced, their consequences must be assessed in close dialogue with the players affected. An overview of laws and regulations is required to ensure greater harmonisation and to boost a circular economy. For example, the same requirements should be applied to products manufactured within the EU and to imported goods. The concept of waste must be modernised and harmonised at international levels, such that the majority of what we define as waste today is viewed and treated as a resource – and so as to support and facilitate trade across national boundaries.

8. Digitalisation and artificial intelligence may support a more circular economy by making new offers available to customers, as well as by stimulating more efficient manufacturing processes and improved transfer of information between the players involved in the value chain.

Digitalisation allows initiative such as digital platforms, and constitutes an important factor in the context of information transfer and traceability in the circular value chain. Legislation regarding digitalisation and circular economy must be harmonised if digitalisation is to function as a powerful tool in the circular economy. Cross-sector and cross-border standards linked to digitalisation need to be developed.

In a separate report, the Confederation of Swedish Enterprise further develops what needs to be done to achieve a more circular economy. This report describes eleven focus areas with the associated overarching goals and conditions for success in each area. The report is available online at: www.svensktnaringsliv.se

Several member organisations of the Confederation of Swedish Enterprise have prepared sector-specific appendices that describe the role of the sector in question, as well as the opportunities and challenges facing it in the circular economy. These appendices are available online at www.svensktnaringsliv.se