



G L O B E
EUROPEAN UNION EU

Event Summary

Janez Potočnik presented the work of the International Resource Panel (IRP) which he co-chairs (please see presentation for details). He pointed out that system change can only be achieved by public and private sector working together.

Janez explained that the role of the IRP is that of a science-policy interface in the resource area. With a growing population using more resources, it is important to focus on sustainable consumption and production to avoid trade-offs.

He continued by drawing attention to the global acceleration of raw materials extraction; especially in Asia-Pacific, which has experienced the largest growth. Also, trade in materials has grown dramatically. He mentioned that economic growth is a key driver of resource use: the world is using more resources because resource-inefficient countries have taken over from resource-efficient ones. The solution is to decouple economic growth from resource use.

He further explained that resource efficiency benefits the economy and the environment. Increasing resource efficiency can therefore lead to higher economic growth and employment, even when environmental benefits are disregarded.

He concluded by saying that a new economic model based on sustainable consumption and production integrating all three pillars of sustainability is necessary and unavoidable. This requires a change of all economic policies and an active dialogue with all stakeholders.

Jaap Strengers from SystemIQ presented the study “Achieving Growth Within”, which builds on the 2015 report “Growth Within” from the Ellen MacArthur Foundation (please see presentation for details).

Jaap asserted that, although investments in circular economy activities are currently taking place, levels are lagging. SystemIQ's report, however, identifies significant investment potential in the EU towards the Circular Economy up to 2025 in mobility, food production, and the built environment.

The report recognizes that these investments require public sector support in specific areas, although many of the underlying business models are already positive. Not investing could lead to stranded assets due to the risks specific to a circular economy.

Marte Borhaug presented the work of Aviva as a global insurance company and asset manager. She agreed with the former speakers that systemic change is necessary and possible. What is also necessary, however, is to connect people who can do this with those who can finance it.

Marte explained that Aviva has a fiduciary duty to keep a long-term view when investing money it has been entrusted with. A four-degree increase in temperature would mean that 75 percent of financial assets would be wiped out. Aviva therefore embeds sustainability in their investment decisions and engages with companies to get them to accept and implement sustainability standards.

Aviva has, moreover, invested in a system which allows them to map the performance on Sustainable Development Goals (SDGs) of sectors and companies within those sectors. Aviva is part of the World Benchmarking Alliance, which supports efforts to grant smaller investors access to data that would otherwise be too expensive for them to obtain.

Gertjan Storm elaborated on the risks associated with planetary boundaries. He invited the EU to prioritize major global environmental issues, such as climate change and water shortage. He mentioned that financial markets have started to address climate risks with water shortages a concrete example of a rapidly emerging issue (e.g., in credit ratings).

Issues inherent to transformations in the economy - in terms of income and wealth distribution - need particular attention from a societal perspective: EU member states with well-developed pension systems should pay attention to long-term benefits for citizens and consumers when dealing with the implementation of the UN Agenda 2030 and the opportunities a circular economy would provide to society over time.

Questions from the floor were about the use of green indicators; whether natural capital accounting could result in arbitrage between species; and are investors ready to put money in risky long-term projects?

Janez Potočnik on indicators: no one questions that labor productivity is used for policy making rather than resource productivity. The biggest cost for companies is labor and materials yet few

companies are concerned about the latter. Business should reduce the cost of resources. There should be political recognition that green indicators are part of the solution; even if green indicators would remain optional and would be used just to show where we are, they would create incentives and assist policy making.

On natural capital, he said that oftentimes things don't have a value unless they have a price. It is therefore necessary to value nature, to account for it, so that people will appreciate it and change their behavior towards it. Valuation can be done through pricing or regulation.

Jaap Strengers on risky investments: different investors (corporate, financial, and public) have different roles to play in helping us move towards a circular economy. Companies can take a leadership role and decide if and how to change their business model and redesign the value chain. Since public funding often ends up with more traditional projects, authorities should take a broader view, for instance by backing private investments in more risky projects (risk-sharing).

Marte Borhaug: private investors often have different risk appetites and return pressures. Regulatory restrictions limit the amount of capital a private investor can invest in certain sectors, such as renewables. Companies are not free to decide how to compose their portfolio. The EU's Sustainable Finance Expert Group could help change some of these requirements. Current capital rules are holding investors back.

Sirpa Pietikäinen: how do you share risks? Instead of giving money to entrepreneurs directly, funds could be given to venture capitalists with the proviso that they can only invest in long-term sustainable projects. Green Public Procurement can be used to ensure that public funds are used for sustainable technologies and materials. Accounting for environmental risks should be required for rating agencies, for example.

Gertjan Storm: a coherent system of indicators will be necessary to measure environmental risks. The indicators that are currently being used do not give us the information we need.