



CIRCULAR ECONOMY

Special Comment



Circular Economy Action Plan

The European
Green Deal

The new European Commission Circular Economy plan

*Interview with Clément Maclou, lead portfolio
manager of Decalia Circular Economy strategy*

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EU CIRCULAR ECONOMY ACTION PLAN

During the lockdown, the European Commission published a new Circular Economy plan “For a cleaner and more competitive Europe”. This plan is one of the main blocks of the European Green Deal. Many initiatives along the entire life cycle of products were announced. Clément Maclou is debating some key elements in this interview.

Can you remind us what is the European Green Deal?

According to Ursula Von Der Leyen, the president of the European Commission, the European Green Deal is “Europe’s new growth strategy. It aims at making Europe cleaner and more competitive.”

The European Green Deal includes ten concrete actions that will be strong basis for this new deal. One of the most debated action is the new objective for Europe to become the first continent in the world to reach climate neutrality by 2050.

We were also very glad to see that Circular Economy is included in the Green Deal, it shows how crucial it has become.

Can you give us more details on the Circular Economy action plan of the Green Deal?

The action plan regarding Circular Economy is labeled “Industrial Strategy for a clean and Circular Economy.” It encompasses six sub divisions targeting dedicated industries such as steel, batteries or waste. Most of these initiatives are regrouped in the Circular Economy Action Plan.

What is the key message of this new Circular Economy Action Plan ?

The Circular Economy action plan announced in March 2020 is a new version of the precedent one presented 5 years ago. It presents measures to make sustainable products the norm in the EU, by empowering companies, consumers and public powers.



It is laying out clear ambitions: “The circular economy will provide high-quality, functional and safe products, which are efficient and affordable, last longer and are designed for reuse, repair, and high-quality recycling”.

Does Covid19 have some implications for Circular Economy ?

“The pandemic represents a rare but narrow window of opportunity to reflect, reimagine, and reset our world”, according to the Pr Klaus Schwab, the founder of the World Economic Forum.

Covid19 made us see the limits of our linear, decentralized and multi-country production models with supply chain failures in producing countries paralyzing the economies of importing countries.

We are convinced that circular economy is the perfect answer to deal with the high dependency or even the failures of supply chains in some sectors. Let me give you some examples.

Industrial companies operating in the electrical equipment, automotive or construction sectors could take advantage of secondary materials sourcing. The following list is not exhaustive, but Bouygues, Michelin, Schneider Electric and Verallia have all been identified as possible beneficiaries.

Consumer oriented companies like Adidas, Nike or H&M could use more and more recycled materials in the textile and apparel sector.

Finally, recycling companies such as Waste Management, Veolia, Suez and Umicore could be the true long term winners.



How to achieve the transition from linear to a circular economy?

The European Commission plan has established sustainability principles and other appropriate ways to regulate the following aspects:

- Improving product durability, reusability, upgradability and reparability, addressing the presence of hazardous chemicals in products, and increasing their energy and resource efficiency;
- Increasing recycled content in products, while ensuring their performance and safety;
- Enabling remanufacturing and high-quality recycling;
- Reducing carbon and environmental footprints;
- Restricting single-use and countering premature obsolescence;
- Introducing a ban on the destruction of unsold durable goods;
- Incentivising product-as-a-service or other models where producers keep the ownership of the product or the responsibility for its performance throughout its lifecycle;
- Mobilising the potential of digitalisation of product information, including solutions such as digital passports, tagging and watermarks

Can you give examples of companies that are well positioned to benefit from these objectives?

Looking at the previous points of the European Commission plan we can highlight some companies that are well positioned

- Regarding “increasing use of recycled contents in products”, **Adidas** is using more than 50% of recycled polyester in its products in 2020 for the first time in its history and has committed to use 100% recycled plastic waste from 2024 onwards. Adidas is also working on a shoe that could be infinitely recycled: a project called Futurecraft Loop.



- For the objective “enabling remanufacturing and high-quality recycling”, **Caterpillar** is one of the champions of the remanufacturing. Its division called Cat Reman focuses on their own old machines or 3rd parties including auto, truck, rail, military. Remanufacturing offers benefits for customers (lower price), for business (lower cost) and for the environment (less waste and emissions).
- When it comes to “incentivising product-as-a-service...” **Signify (ex Philips Lighting)** is a good example of what can be done with its “Pay per Lux” model. This subscription contract entails paying for light consumption without having the ownership of lamps, infrastructure and led bulbs. By remaining the product owner, Signify eliminates premature obsolescence and favors energy efficiency technologies.

How governments can show the good example?

European public authorities’ purchasing power represents 14% of the GDP and can serve as a powerful driver of the demand for sustainable products. To tap into this potential, the Commission is proposing private – public partnerships.

The objectives of the European Commission are clear and it will create a highly disruptive environment so as investors we target early adopters that will be the long-term winners of this inevitable transition toward the circular economy.

FUND MANAGERS



Clément Maclou, CIIA
Lead Portfolio Manager

Clément Maclou joined DECALIA in 2016. He heads the investment team dedicated to consumer trends. He is the lead portfolio manager of DECALIA Circular Economy. Prior to joining, Clément spent 11 years with CPR AM (Amundi group). He co-managed for 7 years one of the largest ageing thematic equity funds in the world.



Antonio Garufi
Portfolio Manager

Antonio Garufi has over 13 years of experience, with 10 years as portfolio manager & analyst. He worked for JP Morgan and co-managed the thematic fund of Astor IM. He joined DECALIA in 2017.

DECALIA CIRCULAR ECONOMY

- A global equity strategy investing into companies that will structurally benefit from the Circular Economy. The circular economy looks at all the options across the value chain: circular supplies, resource recovery, product life extension, sharing platforms, product as a service: these are some of the major businesses that will enable more circularity.
- The case for Circular Economy. In nature, matter is transformed and flows in a circular cycle that can be perpetuated ad infinitum, conversely, our civilization functions with a linear approach. Increasing population, environmental impact and natural resources depletion are the key sustainability issues, the circular economy is the long term solution.
- DECALIA is precursor in this thematic.

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