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CIRCULAR ECONOMY: RESOURCE EFFICIENCY

- *Overexploitation of natural resources and inadequate waste disposal have led to environmental problems such as climate change, prolonged droughts, health problems for the population, and soil contamination.*
- *Circular economy can minimize these problems by increasing the life cycle of products, promoting markets for used and repaired products, upgrading product technology, and making it possible for materials to be reused through recycling.*
- *This type of activity needs to be stimulated through easier financing at lower costs, government procurement based on sustainability criteria and removal of legal and regulatory barriers.*

The agenda on efficient use of natural resources, which is at the core of global companies' strategies and of discussions in major global forums such as the G7 and G20, also has implications for Brazilian companies. Developed and developing countries are promoting principles and actions in support of the circular economy. However, Brazil faces institutional obstacles to adopt this production model.

The problem is that the costs of late adoption can be high. The efficient use of natural resources is a topic of increasing importance for structuring global value chains as well as for consumer decisions, for reducing costs for companies, for global trade rules, for overcoming problems related to resource scarcity, and particularly for promoting innovation in products, processes and business models.

The focus on the circular economy is due to the difficulties faced by the current production-consumption-disposal model to meet some of the main challenges facing contemporary society, such as the exhaustion of natural resources, water scarcity, loss of biodiversity, and climate change.

Adopting circular economy principles is an alternative way to address these problems. The circular economy is intended to keep resources in production chains for the longest possible time extending the useful life of products by repairing and upgrading them and recycling materials. This reduces not only the need for exploiting virgin materials but also emissions and environmental and social problems caused by inappropriate waste disposal.

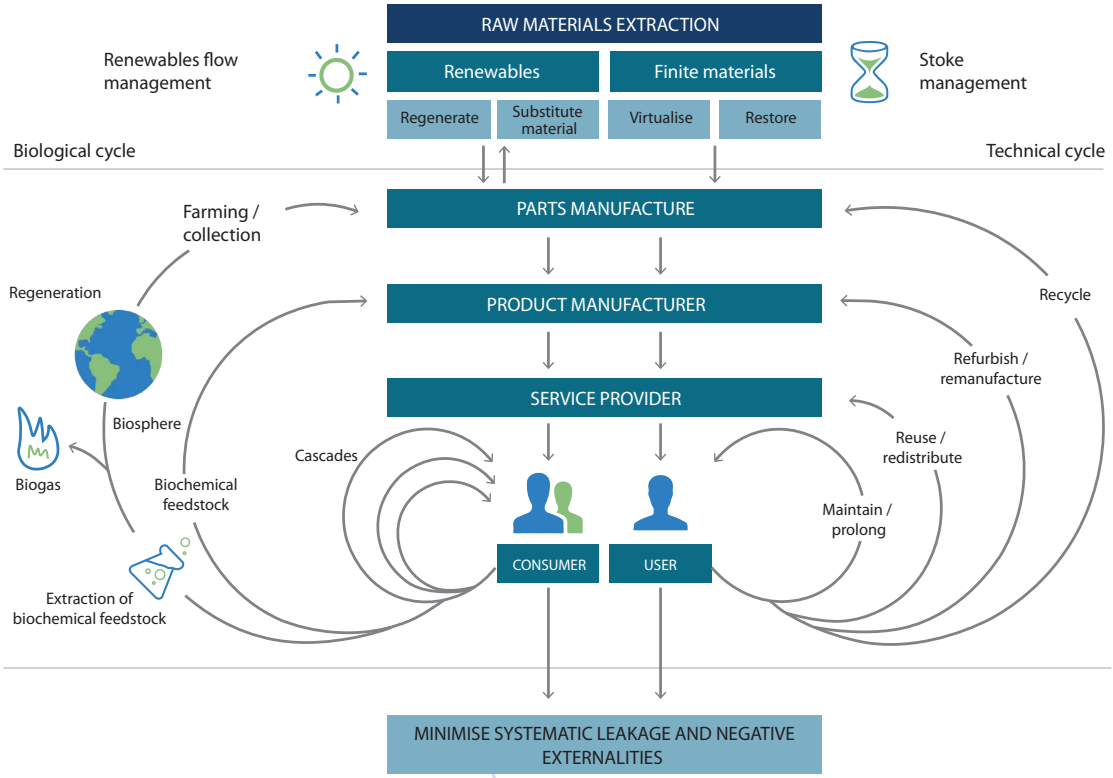
The circular economy agenda in Brazil requires a strategic vision to convert it into a source of change in the industrial framework and has run into fiscal and regulatory problems that have been hindering its implementation.

Main recommendations

1 A strategic and educational vision should be developed. The implications and opportunities afforded by circular economy practices to companies and society should be further explored, together with international actions on the topic. Informative actions on good practices for consumers and companies should be taken through actions and policies that are compatible with the operation of this new form of production.

2 Cumulative taxation should be eliminated from the Brazilian tax system. Cumulative

DIAGRAM OF FLOWS OF MATERIALS IN THE CIRCULAR ECONOMY



Source: Adapted from ELLEN MACARTHUR FOUNDATION. Towards the Circular Economy: accelerating the scale-up across global supply chains. Cowes: Ellen Macarthur Foundation, 2014. v3.

taxation can cause recycled materials to become more expensive than virgin materials, thus hampering the development of recycling chains in Brazil.

3 A nationwide valid self-declaratory instrument should be created specifying the nature, origin and destination of waste cargoes. The requirement of invoices detailing product prices and taxes levied on them has a negative impact on the transportation of waste for processing, since it is collected and has no market value.

4 The regulation of new market models should be based on circular principles, without making them unfeasible. Some technological solutions of new business models have been threatened with restrictive regulation, such as those limiting the right of companies to share goods and real estate.

5 Sustainable government procurement policies should be developed. The purchasing power of government can be used to stimulate the minimum production scale of circular chains. This requires developing clear, measurable and specific sustainability criteria for each type of product.

6 Policies on access to financing should be aligned. The investment needed to implement circular chains requires competitive credit and interest rates.

7 Innovation support policies should be developed. Innovations intended to solve environmental problems are critical to the development of the circular economy.

The full version of the document can be accessed through the QR code on the side or at: http://www.cni.com.br/eleicoes2018/downloads/ This summary is part of the series Proposals of Industry for the 2018 Elections comprising 43 documents. The series, which is based on the *2018-2022 Strategy Map for Industry* is a CNI contribution to the new federal administration and presents analyses and proposals of priorities to increase Brazil's competitiveness.

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