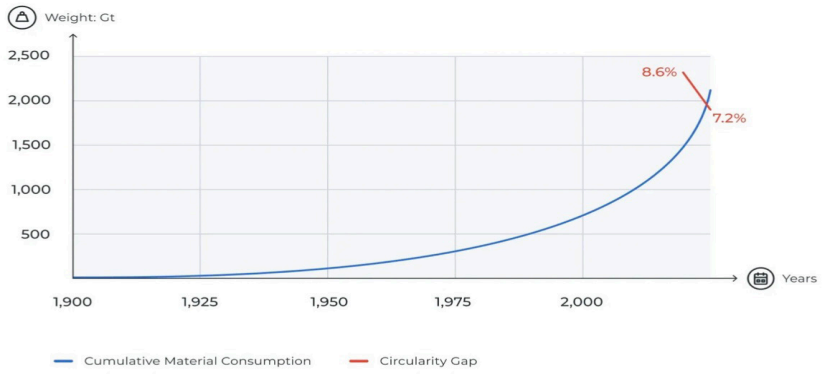
Circularity Gap Report 2024 – A cicular economy to live with in the safe limits of the planet

The 2024 edition of the Circularity Gap Report (CGR), published by Circle Economy in collaboration with Deloitte, finds that global circularity rate has decreased from 9.1% in 2018 to 7.2% in 2023. That means the share of secondary materials consumed worldwide is in decline. The report recommends policy, finance, and labor reforms that can reshape global systems to promote circularity.



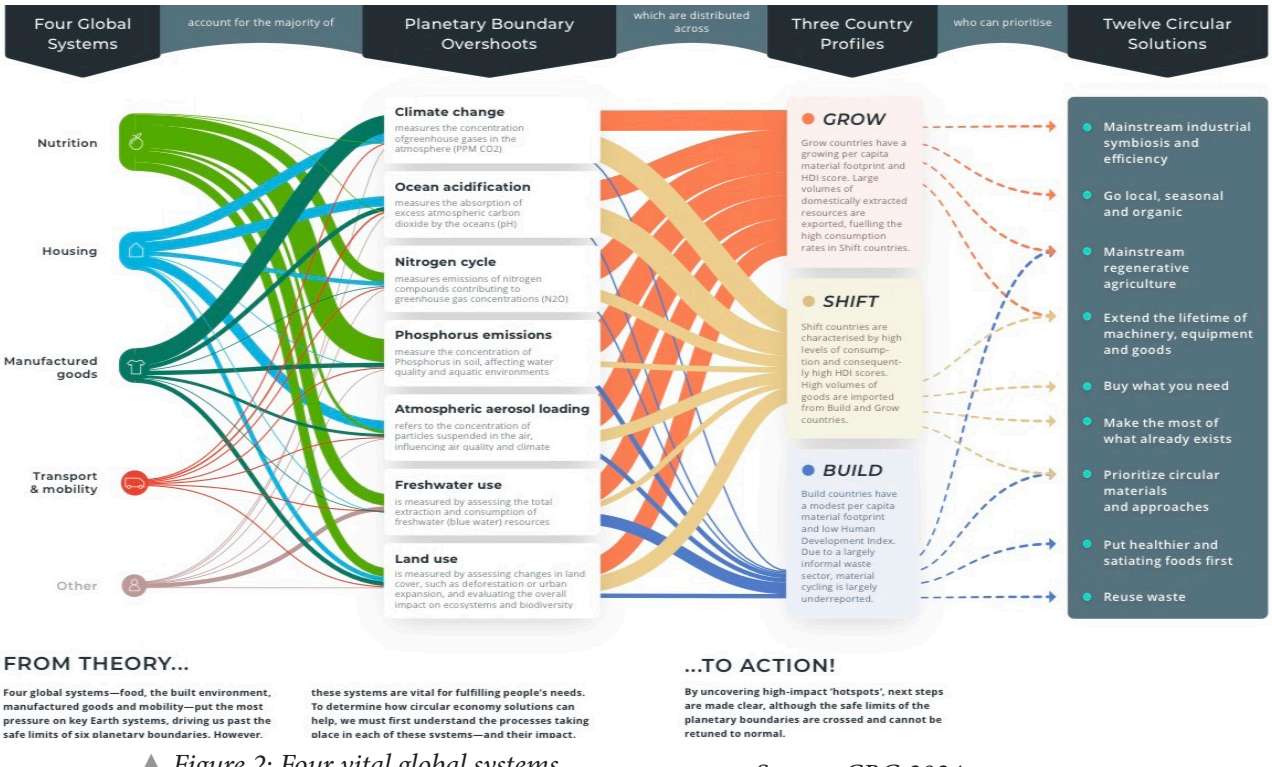
▲ *Figure 1: The global circularity rate*

Source: CRG 2024

IMPORTANT VALUE CHAINS TO TRANSITION TO A CIRCULAR ECONOMY

The previous Circularity Gap Reports have defined the 'what' - this report lays out the 'how' to put these solutions into action. To pinpoint key leverage points for each country profile. Build, Grow and Shift countries all have a role to play in the transition but these roles will look different. This report uncovers the most important value chains to transition to a circular economy across these three country profiles. This report explores the underlying political, financial and social conditions these solutions need to succeed. The Circularity Gap Report 2023 findings show that this is possible: we can deliver on societal needs such as housing, nutrition, mobility and manufactured goods with 30% less of the materials we use now, reversing the overshoot of five planetary boundaries.

The report reveals that in the last five years, the world consumed 500 billion tonnes of materials – almost as much as was consumed during the entire 20th century. And while the volume of



▲ *Figure 2: Four vital global systems*

Source: CRG 2024

discussions, debates, and articles about circular economy has almost tripled over the same period, consumption continues to grow.

To accelerate progress towards a circular economy, the report calls for addressing the root causes of linear impacts. It recommends changing the "rules of the game" in favor of circular practices and proposes a strategy to unlock capital, roll out policies that are bold but contextually appropriate, and close the sustainable and circular skills gap. The report recommends different solutions based on country income. For high-income countries (HICs), the report urges a "shift" to radically reduce material consumption while upholding well-being. Middle-income countries (MICs), it argues, should "grow" to stabilize their material consumption, while low-income countries (LICs) should "build" to increase their material consumption to meet their populations' needs.

The report shows how policies and legal frameworks can incentivize sustainable and circular practices. To unlock finance in HICs, the report recommends rethinking accounting standards and practices and increasing the price of unsustainable products through taxation. In MICs, it suggests governments shift subsidies away from polluting practices in agriculture and manufacturing towards clean, regenerative activities. Regenerative farming and smart urban planning are among the recommendations the report puts forward for LICs.

To enable a just transition, the report calls for, bridging labor and skills gaps by including green disciplines and skills in education curricula and short-term courses. Circle Economy launched the Circularity Gap Report series in 2018. The series aims to provide decision makers with structured evidence about circular strategies and their economic, environmental, and social impacts, to enable them to adequately consider the quality of life and well-being of people and the planet.

CURRENT STATUS OF TRANSITIONING TO A CIRCULAR ECONOMY

According to the report, the development level of countries is divided into 3 categories: Developed countries, developing countries, and least developed countries.

Developed countries are those with high incomes and excessive consumption, which is the main cause of overloading and ecosystem disruption. These countries have a high average Human Development Index (HDI) and far exceed the Earth's carrying capacity. Although these countries have stricter domestic environmental regulations and advanced waste management systems, they cause significant environmental degradation in the rest of the world. The demand from developed countries leads to exploitation and pollution in other countries, as wealthy industrial production countries in places with fewer environmental regulations. Developed countries are characterized by rapidly aging workforces. This is causing damage to key industries such as construction and manufacturing, which are lacking young talent.

On average, the material consumption per capita in developed countries is 22.6 tons, 4.6 times higher than in least developed countries and 1.6 times higher than in developing countries. They also account for 43% of global greenhouse gas emissions. The mission of these countries will be to reduce material consumption levels and ultimately minimize the current negative impacts that are causing global harm.

Developing countries such as China, Indonesia, Brazil, Mexico, Vietnam, Myanmar, and Egypt need to continue improving the quality of life for their people. The average per capita material consumption in these countries is 17 tons per year. While these countries contribute 41% of global emissions, nearly equal to developed countries despite having double the global population share compared to developed countries.

The increasing growth and income have led to a nutritional transition in developing countries: dietary patterns are shifting towards animal protein-rich foods like meat, dairy, and processed foods. While many of these countries are and may remain important production and industrial centers for the rest of the world and their own consumption, this requires changes to create a sustainable environment that supports and ensures the safety of workers.

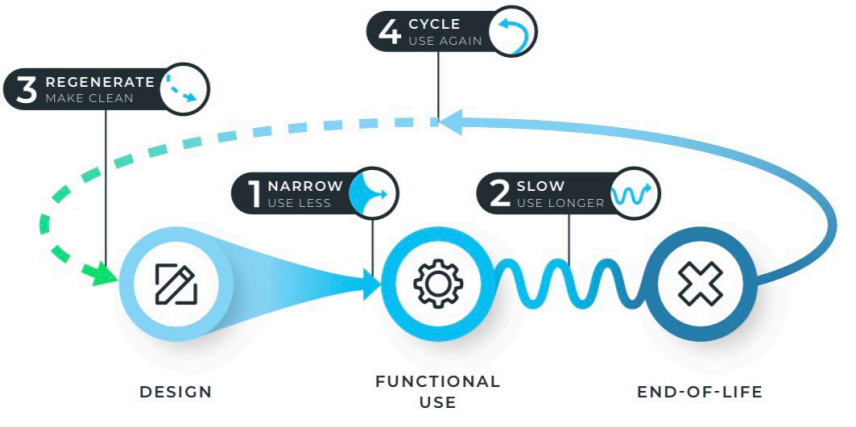


Figure two depicts the four flows of the circular economy: a comprehensive framework for managing resource flows in a circular economy by using less (Narrow), using for longer (Slow), using again (Cycle), and using clean, regenerative materials and energy (Regenerate).[28]

▲ *Figure 3: The four flows of the circular economy*
Source: CRG 2024

Least developed countries have rapidly expanding economies, abundant populations, and diverse natural resources. They have significant potential to drive the transition towards a circular economy. Therefore, low-income countries must balance essential needs to improve living standards and reduce poverty while also addressing urgent environmental issues. These countries require more resources and face competition for investment in critical sectors such as healthcare, education, and infrastructure.

Least developed countries have not invested in new technologies and practices that enable sustainable human development, especially in resource-intensive sectors such as food, energy, and construction. For example, least developed countries like Bangladesh, Ethiopia, Nigeria, Pakistan, the Philippines, and some small island nations account for 18.5% of global material consumption, despite being home to nearly half (46%) of the global population. Their average per capita material consumption is only 5 tons per year, lower than the estimated sustainable level is 8 tons per person per year. Similarly, they also contribute a relatively small portion to global greenhouse gas emissions: only 17%.

Since these countries often struggle to meet basic needs for healthcare and education, their primary goal is to improve living standards. This requires enhancing material use to provide infrastructure, goods, and essential services to improve welfare. It also necessitates boosting morale for workers in countries with prevalent informal economies, especially common in sectors such as agriculture, forestry, and waste management.

DIFFERENT COUNTRIES HAVE DIFFERENT PRIORITIES

The report gives three key systems for the circular solutions cover: food, the built environment and manufactured goods. For each country profile: lower-income (Build), middle-income (Grow) and higher-income (Shift). The report highlights the most relevant systems. And, for the first time, report place people at the centre of this story, exploring the jobs and skills powering the circular transition.

Shift countries

On average, residents of high-income Shift countries enjoy affluent, comfortable lifestyles and perform well on social indicators. However, they consume far more than their fair share of materials. These countries must focus on reducing material extraction and use to lighten their environmental burden. Two key systems that can lead this transformation are:

Built environment

Reward market players for investing in circular solutions and business: Implement regulations that prioritise renovation, retrofitting and adaptive reuse; develop certifications and warranties for secondary materials; roll out standards and criteria for circularity; roll out circular land ownership models, such as Community Land Trusts. Make circular building projects an attractive investment option. Close the labour and skills gap with a mix of education and policy.

Manufacturing

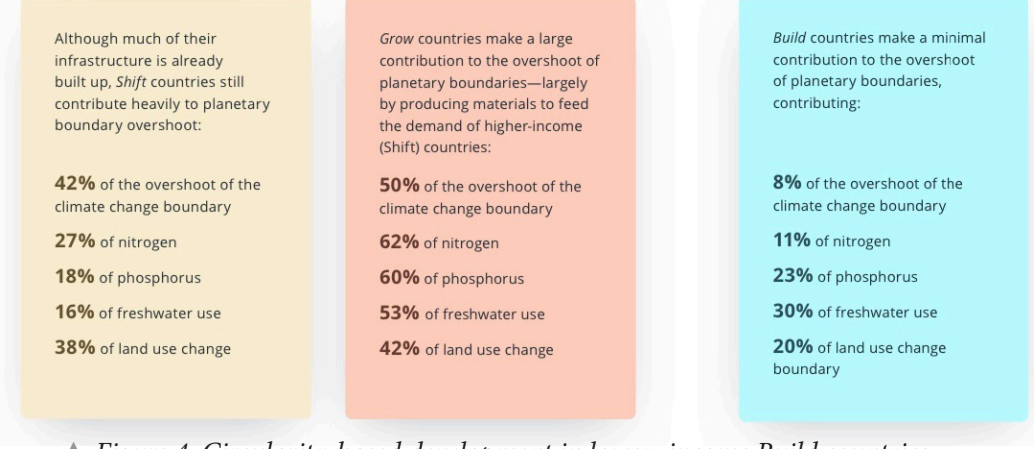
Encourage products to be designed for circularity: durable and easy to reuse, repair and recycle: Strengthen universal Right to Repair legislation and Extended Producer Responsibility; set standards for material efficiency and product durability. Use pricing and convenience to nudge people toward sufficiency lifestyles. Foster a cultural shift through education and legislation.

Grow countries

Many middle-income countries are and will likely remain key manufacturing and industrial hubs. This necessitates a shift to make their growth sustainable as well as supportive and safe for workers. Two key systems that can lead this transformation are:

Food system

Roll out policies to encourage nutritious choices and cut food waste: Roll out market-based incentives that make healthy and sustainable foods the most attractive option; mandate food waste reporting and reduction targets; raise awareness about food products' environmental and social impact; reform economic incentives



▲ *Figure 4: Circularity-based development in lower- income Build countries, promote circular industrial processes in Grow countries and shift consumption patterns in higher- income Shift nations.*

Source: CRG 2024

and regulations to prioritise regenerative farming and holistic land management; direct subsidies away from industrial agriculture and towards sustainable farming; establish fact-based regulatory frameworks by introducing efficient approval processes, certifications, labels and accessible intellectual property. Empower and protect farmers engaged in regenerative agriculture.

Manufacturing

Remove barriers to scaling circular manufacturing with clear and mandatory targets and aligned incentives: Introduce policy measures that impose and enforce public bans and limits on pollution; Tax material- and carbon-intensive production and subsidise energy- and material-efficient practices; Integrate eco-industrial parks and hubs into national policy frameworks. Direct capital investments and promote technology transfers to scale up green tech; Ensure investments integrate social requirements. Develop a plan for sustainable skills development for the jobs of tomorrow; Set up systems for mapping skills needed across the entire value chain; encourage exchanges between vocational education institutions and industry; promote social dialogue and partnership in planning, designing and implementing national and sectoral policies.

Build countries

Lower-income Build countries generally struggle to meet basic needs for healthcare and education. For these countries, the primary objective is to use materials to improve living standards. Two key systems that can lead this transformation are:

Food system

Unlock investment in climate mitigation and adaptation: Implement debt relief and fair access to capital markets via Green Bonds and Climate Funds; implement efficient, stable and transparent regulatory and business frameworks; secure land rights and tenure policies to protect smallholder farmers; set concrete policy targets for soil, water and biodiversity. Enable farmers to invest in innovations to increase agricultural output and quality.

Built environment

Cultivate enabling policy conditions for a circular built environment value chain; allow local governments to plan and adapt for circularity with financial and technical resources; facilitate labour-intensive circular building solutions with skills development and informal economy processes.

SOLUTIONS FOR TRANSITIONING TO A CIRCULAR ECONOMY

The circular economy is an upgraded system that can help address the complex and intertwined challenges that humanity is facing if approached correctly. However, to move from theory to action, we must look at the big picture rather than individual perspectives. Identifying circular solutions with strong impacts across all sectors in all countries and demonstrating how legal, regulatory, and financial incentives can be changed to bring about real change and benefit people.

In developed countries

Group of solutions for establishing a circular build environment:

Firstly, reward market participants for investing in circular solutions and business models: Implement strict regulations prioritizing renovation, retrofitting, and adaptive reuse whenever possible, while requiring recycling and reuse of high-value construction and demolition waste; establish effective certifications and warranties for secondary materials to confirm their safety and quality, while helping contractors comply with construction regulations much easier when using these materials; implement standards and criteria for circularity in procurement guidelines, zoning, and spatial planning; deploy innovative land ownership models, such as community land trusts, to ensure long-term affordable housing for the community.

Secondly, make circular building projects an attractive investment choice: Encourage financial incentive for circular construction by reducing property taxes for buildings meeting circular criteria, providing tax credits for using circular materials, or reducing insurance premiums for circular buildings or infrastructure; establish common language among stakeholders in financial and building sectors to enhance transparency and enable better cooperation; review accounting standards and practices to better capture the value of built assets.

Thirdly, narrow the labor and skills gap through education and policy integration: Address labor shortages in the industry by adjusting policies and increasing job attractiveness; support the development of necessary circular skills in the labor market by incorporating the circular economy into educational programs and vocational training; review and (re)formulate skill development policies, especially for the validation and recognition of skills and qualifications for migrant and more informal workers.

Group of solutions for advancing circular manufacturing

Firstly, encourage products designed for circularity: durable, easy to reuse, repair, and recycle: Strengthen laws on the right to repair and extended producer responsibility, require manufacturers to provide spare parts, tools, and repair manuals to customers and their repair shops; set standards for material efficiency and product durability, especially for electronics and appliances.

Secondly, use pricing and convenience to nudge people toward sufficiency lifestyles; apply progressive taxes and heavier inheritance and property taxes to limit excessive wealth and income inequality, while reducing overconsumption of luxury goods; provide consumers with financial incentives such as rewards vouchers, or reduced or zero taxes on repair services and refurbished goods; Governments may also consider taxing material extraction rather than labour.

Thirdly, foster a cultural shift where sustainability is the norm and sufficiency mindsets prevail: Invest in and use just transition funds to invest in skills development, education and training; roll out job guarantees and explore reducing the standard work week to gradually break the "work and spend" cycle and foster a less materialistic, more relational and participatory society.

In developing countries

Group of solutions for establishing a circular food system

Firstly, roll out an integrated policy mix to encourage nutritious choices and cut food waste: Roll out effective market-based incentives tailored to consumers that make healthy and sustainable foods the preferred option; create an effective regulatory environment, including advertising sales bans on certain high-impact food products that threaten human and planetary health; use information-based incentives, such as food labeling with environmental and social impact information on food products.

Secondly, use policies to ensure that financial institutions invest in regenerative agriculture and circular food: Policymakers can ensure that the financial regulatory environment supports long-term transformation by introducing transparency requirements; restructure economic incentives and regulations to prioritise regenerative farming models and holistic land management practices: Ensure a true price for sustainable food that fully reflects the social and environmental impacts so that products of regenerative and sustainable farming are competitive and attractive.

Thirdly, empower and protect farmers engaged in regenerative agricultural practices: Create just transition funds to de-risk and enable changes in farming practices, supplying farmers with the tools and knowledge they need to convert their farms.

Group of solutions for advancing circular manufacturing

Firstly, remove barriers to scaling circular manufacturing with clear and mandatory targets and aligned incentives; create economic incentives through mechanisms such as properly taxing production and trade activities using multiple resources and carbon, while implementing subsidies to encourage energy-efficient production and properly pricing shared resources.

Secondly, ensure policy alignment to support industrial transitions: Take an ambitious, mission-oriented approach to industrial policy that directs investments towards maximising public-value creation and people's wellbeing within ecological limits; scale eco-industrial parks via public-private partnerships with centralised management to effectively plan and coordinate services, including the maintenance of a data system that can optimise resource-use and pollution control systems.

Thirdly, direct significant capital investments and promote technology transfers to increase access to and help scale up innovative green and clean technology that delivers cost savings, drives down material demand and reduces pollution; develop a forward-looking plan on sustainable skills development for the jobs of future: Invest in skills development programmes with particular focus on workers vulnerable to the transition; set up systems for identifying and anticipating skills needs and mapping skills needs across the entire value chain;

In least developed countries

Group of solutions for establishing a circular food system

Firstly, enact policies to mobilize investment in climate mitigation and adaptation: Implement debt relief and fair access to capital markets to national governments in least developed countries, such as reliable nature-for-debt swaps and via Green Bonds and Climate Funds; set concrete policy targets for soil, water and biodiversity to establish long-term strategic goals and send clear signals to market players about where to invest in the future.

Secondly, strengthen resilience in small- and medium-scale agriculture with improved market access: Promote farming cooperatives by supporting and financing aggregator models where a central entity, such as a cooperative or social enterprise, consolidates smallholder farmers' produce and provides services such as access to finance and technical assistance.

Thirdly, enable farmers to invest in innovations to increase agricultural output and quality: Provide credit to farmers and landowners engaging in regenerative agriculture to restore and stewardship of ecosystems; implement a less risky transition process for small-scale farmers; ensure "future-proof" skill-sets with training and skills pathways and recognise indigenous, regenerative practices.

Group of solutions for establishing a circular build environment

Firstly, cultivate a conducive policy environment for a circular built environment value chain.

Secondly, allow local governments to plan and adapt for circularity with financial and technical resources.

Thirdly, facilitate labour-intensive circular building solutions with skills development and informal economy processes.

The transition to a circular economy is becoming an essential trend in life to protect the environment, address climate change for sustainable development for the health of people, the natural environment, and the planet. However, the implementation in different groups of countries still faces many limitations due to various challenges. Therefore, many solutions have been proposed to encourage and guide the development of a circular economy tailored to the specific circumstances, economic conditions, social factors, and environmental aspects of each group countries ▪

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(Source: Circularity Gap Report 2024)