We can’t solve problems by using the same kind of thinking we used when we created them.

Albert Einstein

Circular economy

This encompasses a regenerative system in which resource input and waste, emission, and energy leakage are minimised by slowing, closing, and narrowing energy and material loops. Re-use of materials and products, reduction of the use of (finite) resources and the recycling of materials are key in contributing to a circular economy.

The Triodos perspective

Our current economic model is linear; economic growth is usually considered as an objective per se. This ethic of ‘more, more, more’ is not sustainable, as our natural resources are not unlimited, and the waste produced by the linear model seriously harms our ecosystem.

We therefore need to transform our current economic system into a circular system that is regenerative by design. Instead of maximising growth and profit and making products obsolete by design, the goal is to capture all the value we create for as long as possible. Economic growth must be reconnected to our actual needs in smart, innovative and resource-conscious ways.

Investing in the circular economy

Our role as an investor is to support the supply-side of this transition. Circular principles, often expressed in terms of business models, can be created for almost every industry, where resource dependent industries are the most prominent in terms of material gains.

We identified the main characteristics of several business models aligned with the circular economy principles that we want to support through our SRI investments:

The waste value model is based on the use of end-of-life products as input. Recoverable value is extracted from waste and recycled into commodities or energy.

The reverse loop model focuses on the extraction of recoverable value, but its inputs are goods whose residual value is still significant, if properly extracted.

In the circular input model, circular thinking starts with product designers. The portion of total input which is circular (reused, recycled or renewable) is maximised or the absolute amount of input used is minimised.

Platform models go one step further. Companies take direct responsibility over the entire life-cycle by requesting customers to return their products after use. They thus have a direct economic interest in ensuring that their products can be used through the greatest number of subsequent loops, with the minimum possible value loss.

Finally, we also invest in circular economy enablers and facilitators. These include, for example, developers of IoT applications for product and resource tracking, or service providers related to the management of a reverse marketplace – where buyers place ads for products they wish to buy, and sellers then make offers to sell.

Opportunity: the world is only 9% circular

Most materials we take from nature are used only for a very short time. And after use, only 9% of all materials is recycled or re-used. That is what the circularity gap report shows. Increasing circularity does not only help to prolong the availability of materials, but also reduces carbon emissions. 67% of all carbon emissions are related to material management. The circular economy is on the agenda of many policy makers and consumers in many countries are more and more willing to buy circular products. But in the end, it’s up to businesses to make products that can close loops and thus be the catalysts towards a circular world.