



Impact Outlook

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Driving environmental transformation through financial markets

In a number of recent speeches Karmenu Vella, European Commissioner for the Environment, Maritime Affairs and Fisheries, has pointed out that existing EU funding programmes and financing instruments will not suffice for the scale of the transformation the European Commission is driving. Here we survey Vella’s thoughts and insights on the wider green finance context

The European Commission recently announced an investment of 63.8 million euros into the first ever Integrated Projects that are to be funded under the LIFE programme for the environment. How do you see this investment changing the face of environmental policies in Europe?

This is an example of Europe directly investing in citizens’ quality of life. To best tackle major environmental and health challenges such as air and water pollution or biodiversity loss, existing policies must be made to work towards the same goals. Integrated Projects deliver precisely that.

Money invested in environment projects is money well spent. I am delighted to see that our LIFE programme will support many innovative projects, and I am sure they will make a vital contribution. As well as protecting and enhancing natural capital, there are many promising avenues here that will help steer Europe towards a low-carbon, resource

efficient and sustainable future. We will follow these projects carefully, with a view to sharing and replicating their success.

In what ways will the Commission steer change from the current linear, resource-intensive model to a circular economy?

A transition to a circular economy will definitely need a kick start – just like any large-scale change. It will bring about economic advantages as well as financial opportunities, which is the reason why the EU’s financial sector will play a key role in moving us towards a circular future. More than anything, the Circular Economy Package is a move to rethink our economic model. It is a way we can build and strengthen Europe’s competitive advantage, generating new business opportunities, and creating jobs that cannot be relocated elsewhere. In a world where the population rises every day, with higher demands placed on land, water, food, raw materials and energy, we cannot



continue to 'take, make, use and throw away'. A circular economy is what we need for our change agenda.

Using natural resources in a smarter way is simple economics. Europe cannot compete on lower wage costs. Unfortunately, we do not have the same natural resources as other parts of the world. Our future will revolve around providing products that are used and re-used, and which do not deplete the Earth's natural resources. If we do this, we will consolidate our position as the global market leader for green technologies. When the Commission revisited this Circular Economy Package, we did it because we wanted more ambition. We wanted to go beyond waste, with measures that cover the full life cycle of products. Our Action Plan and the revised waste proposals are mutually supportive measures, and they will contribute to real progress on the ground.

Re-engineering our economy is a vast enterprise. To get there, we need to mainstream circular economy financing. This is also the best way to ensure that the EU makes a powerful contribution towards implementing the new 2030 Sustainable Development Goals.

What will be some of key principles for the new circular economy and how will Europe transition to this place?

In a circular economy, one core principle is to avoid waste in the first place. Preventing waste is always better than recycling it. So the action plan we propose foresees a number of actions to prevent waste from occurring. We will revisit the Eco-design Directive to make products more durable and easier to repair so they do not become waste too soon. We will also address planned obsolescence – an area that has aroused a lot of interest in the run-up to adoption. And we will help consumers make more informed choices. Product labelling is a major tool here, and we have proposed a number of tangible improvements. We will revisit the EU Ecolabel, for example, to ensure that it provides the information consumers really need. The legislative proposals on waste – mainly focused on municipal and packaging waste, but

with measures for other waste streams as well – will give Europe an ambitious, clear and stable policy framework. This will allow public and private actors across the EU to develop long-term investment strategies, focused on waste prevention, product re-use, and waste recycling.

The legislative proposals are an important focus for you. How will these proposals be realised?

These proposals add up to a powerful enabling framework. But to help that framework swing into action, we need two further things. We need to reinforce innovation at the European level, and we need to attract investors. Some innovative companies may be small, and some may use new business models. In other words, some of the investments may be perceived as risky. To ensure they remain attractive, we are proposing a range of support measures involving Horizon 2020, the European Investment Bank (EIB), European Fund for Strategic Investments, and Structural Funds. Other EU funds will also be mobilised, for example the regional policy programmes to support investments in waste separate collection and recycling infrastructure. We also support the new idea of a 'platform' to bring together the EIB, the Commission, and national banks to increase awareness about circular economy financing.

How do you see European policies including nature rather than excluding it?

It is vital that a huge number of European policies – agriculture, forestry, water, research, the urban environment – also factor in a place for nature. There is no doubt that we need lower emissions and better technologies, but we also need nature in our toolbox for fixing climate change. The EU strategy for adapting to climate change highlights the role of ecosystems in adapting to climate change. They can contribute to improved water and air quality, or act as a protection from floods, for example. The Water Framework Directive includes a provision for natural water retention measures. And Natura 2000, the centrepiece of Europe's efforts to protect biodiversity across the Member States, is an essential tool to both mitigate and adapt to climate change and enhance the resilience of Europe's ecosystems.

What are your thoughts on mainstreaming green infrastructure in the context of these frameworks?

These frameworks for action are solid, but they would not suffice without adequate financial backing. There is EU-level input here too, and nature-based solutions are implemented through several instruments, including the Cohesion and Structural Funds, the European Development Fund, LIFE+ and the Horizon 2020 research programmes. One area where this funding has been quite effective to date is green infrastructure.

If we are serious about mainstreaming green infrastructure, it should be on a par with energy, transport, and communication infrastructure, which has benefited from the development of dedicated Trans-European Networks and corresponding projects of common interest. It's an ambitious idea, but this is the sort of ambition we are going to need to address the issue of climate change. The European Climate Adaptation Platform, set up only two years ago, already has more than 2000 entries, logging efforts around the EU to adapt to climate change. Let's remember that we can't fight nature. But we can work with it, and we can help it shape our destiny.