

Well Defined Is Half Solved? Regulatory Barriers for Circular Economy

Regulating circular economy

The circular economy (CE) transition requires significant modifications in all stages of the material life-cycle. This requires regulatory interventions. However, regulation can also function as a barrier for CE. The poster identifies and examines regulatory barriers hindering the CE transition. The arguments are based on the results of a literature review and a two-round Delphi study on the barriers to the CE and the potential for regulatory instruments to address them. The results of the study are relevant within the scope of Finnish CE business actors.

Use of the Delphi method supplements the literature review and provides a medium through which to examine practical regulatory barriers to CE and to distinguish between barriers from the perspectives of 'law in books' and 'law in action'. The participants in the Delphi study were selected from a list of 'the most interesting companies in the CE' in Finland identified by the Finnish Innovation Fund (SITRA).

Identified barriers and solutions

Barriers refer to challenges that hinder the achievement of CE or have negative implications for the attainment of its objectives. These may relate e.g. to legal provisions, policy spaces created by the legal provisions and common practices in different fields of business. It is also useful to understand the relevance of a CE driver, as a counterpart and solutions to barriers. Drivers promote or encourage actors to take steps towards achievement of CE objectives.

The identified barriers are connected to traditional command-and-control legislation, economic instruments, informational steering and their practical application. Often the uncertainty and lack of clarity in the application of the legal provisions were considered biggest hurdles for CE. The study revealed that these barriers could be addressed through coercive legal instruments as well as other kinds of steering alternatives not requiring legal amendments.

Barriers for CE

- lack of clarity in the legal concepts of waste and End-of Waste: delays in and incoherence of administrative decision-making reducing the attractiveness of CE business models
- public procurement procedures are inadequate in ensuring the best choice for CE
- the price advantage of virgin raw materials
- unfavorable tax treatment of companies providing products as services
- culture of ownership

Non-legal solutions

- provide guidance and education to address the problems connected with decision-making and legal interpretation
- national, regional or municipal strategies e.g. to promote CE alternatives in public procurement
- increase resources and cooperation in administrative processes in order to improve the quality and speed of the decision-making

Command-and-control solutions

- enact new legislation on End-of-Waste processes
- set a disposal restriction or a landfill ban to directly reduce the disposal of waste
- regulate on taxation (e.g. VAT) of waste-based materials to decrease the price gap between waste-based and virgin raw materials (allowing the market to deal with the price advantage internally was preferred in the Delphi study)
- include circular aspects (durability, recyclability) in the mandatory product design requirements

How to regulate on Circular Economy?

The CE transition requires significant amendments to substantive legislation in numerous sectors, adding up to a wide array of provisions and instruments that complement the CE objectives and address multiple problems. Since there is no single regulatory framework for CE, streamlining of the CE-related substantive regulatory frameworks is essential. The whole life-cycle of product and material should be considered. While command-and-control regulation will retain its position – other regulatory instruments are increasingly important for the CE transition. Command-and-control instruments are often not the most favored option to address the barriers, since less coercive methods usually entail lower administrative costs and are easier for the business sector to adopt. Complicated regulatory schemes have led to increased significance of informational steering such as non-binding guidance documents: A wide-ranging regulatory toolkit is needed for achieving the CE objectives.

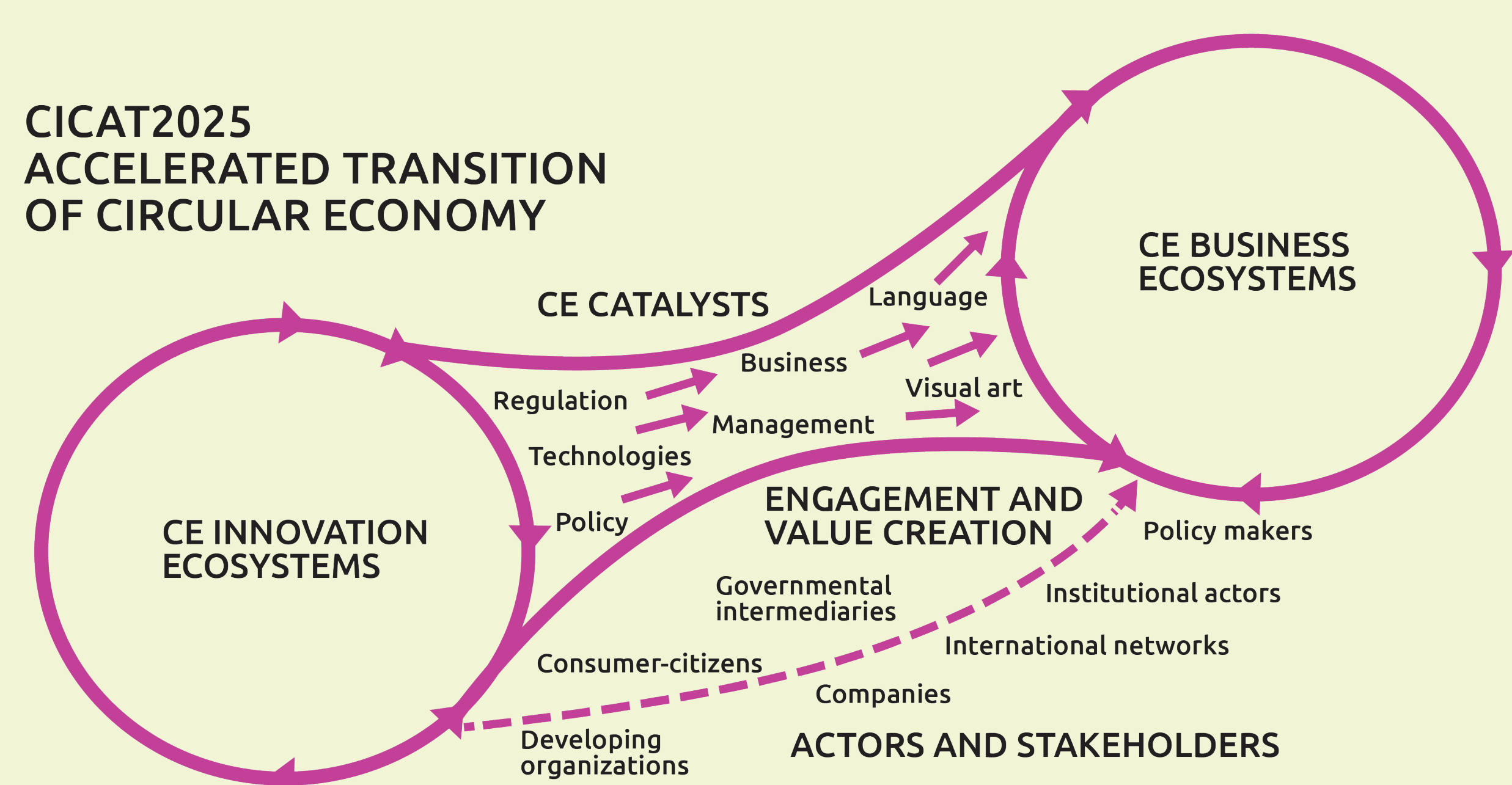
What is CICAT2025?

Circular Economy Catalysts: From Innovation to Business Ecosystems, CICAT2025 is a joint project of Finnish universities aiming to facilitate the transition from linear to circular economy.

CICAT2025 explores a wide range of circular economy catalysts that have the potential to accelerate the adoption of circular economy principles in society and markets. The project supports Finland's strategic objective to become a global leader in circular economy by 2025.

The consortium consists of:
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CICAT2025 ACCELERATED TRANSITION OF CIRCULAR ECONOMY



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