



# Circular North America: Accelerating the Transition to a Thriving and Resilient Low-carbon Economy



May 2021

DISCUSSION PAPER & EVENT SUMMARY

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Circular North America: Accelerating the Transition to a Thriving and Resilient Low-carbon Economy  
Date: May 2021

Cat. No.: En4-413/2021E-PDF  
ISBN: 978-0-660-38721-5  
EC8017

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# Acknowledgements

This Discussion Paper and Event Summary was prepared by The Delphi Group on behalf of **Environment and Climate Change Canada** and the **United Nations Environment Programme**, with input from the following project partners:

- ❖ **Circular Economy Leadership Coalition**
- ❖ **Ellen MacArthur Foundation**
- ❖ **Massachusetts Institute of Technology (MIT) Solve**



The Delphi Group would also like to thank the following companies, government agencies, and organizations who provided important resources, insights, and/or data to support the development of this Discussion Paper:

- **Cámara Nacional de la Industria de Transformación (Canacintra)**
- **Centre for Indigenous Environmental Resources**
- **Centro Mexicano de Ecología Industrial**
- **Cisco Systems**
- **Closed Loop Partners**
- **Council of the Great Lakes Region**
- **Fundación Cristina Cortinas**
- **Indigenous Zero Waste Technical Advisory Group (IZWTAG)**
- **Smart Prosperity Institute**
- **The Indigenomics Institute**
- **U.S. Chamber of Commerce Foundation**
- **World Economic Forum**
- **World Business Council for Sustainable Development (WBCSD)**

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# Executive Summary

This Discussion Paper was developed to stimulate dialogue at ‘Circular North America’, a World Circular Economy Forum side event that took place on November 19, 2020. Environment and Climate Change Canada and the United Nations Environment Programme North America Office co-convened the event, in partnership with the Circular Economy Leadership Coalition, the Ellen MacArthur Foundation, and MIT Solve. The objective was to inspire an action agenda focused on accelerating the long-term transition to a circular economy in North America.

## *The Circular Economy as a Framework for Prosperity*

The circular economy has come to the forefront as a solution for moving away from today’s linear ‘take-make-waste’ society, addressing growing environmental and social challenges and risks while generating significant economic benefits. Defining the opportunities for North America requires an understanding of where things are today, what the end goal is, and how to get there – identifying relevant natural resource industry strengths while leveraging service-based sectors and the broader innovation ecosystem.

## *North America’s Starting Place*

The following characteristics can provide a foundation for North America’s successful circular transition:

- **Industrial base and natural resource strengths:** The industrial base varies by country, as well as geographically by region. Manufacturing, the technology sector, and natural resource industries are major economic drivers. The scarcity of resources is less likely to be the primary motivation for the circular economy in North America. Innovation in areas such as the bioeconomy, mineral and metal recycling, and secondary manufacturing and remanufacturing present some of the largest growth potential with the appropriate incentives for investment.
- **Population density and geography:** North America’s relatively low population density has created unique challenges in terms of the cost of doing business and the investments needed to support the required infrastructure and service delivery models of the circular economy.
- **Culture and mindset:** Despite high consumption and waste generation trends, North America has the potential to deliver an inclusive circular economy by capitalizing on the region’s diverse cultures and identities.
- **Underlying infrastructure:** Beyond domestic and commercial recycling systems, North America sees an inconsistent and often insufficient level of infrastructure required to support the circular economy. Infrastructure gaps can allow jurisdictions to “leapfrog” the traditional waste management system and focus more on the upstream components of material flows in areas such as product redesign, reuse, repair, remanufacturing, and enhanced recycling.
- **Innovation and corporate leadership:** The innovation ecosystem in North America is well-advanced, with corporate leadership on key issues and applied research in areas such as synthetic biology, material innovation, artificial intelligence, digital platforms, and more. This offers great potential for integrating circularity principles in upstream interventions, including product design.
- **Policy, governance, and jurisdictional control:** The political and governance structures, as well as jurisdictional controls across North America, are varied and complex. While policy leadership on circular economy is growing at all orders of government, more is needed to ensure alignment and harmonization across the region.

## Accelerating the Circular Economy in North America

Accelerating a circular economy in North America will require changes to business models, practices, and policies. Key barriers to be addressed include:

- Lack of awareness, information, and demand for circular products and solutions;
- Cost challenges compared to the extraction and linear use of materials and natural resources;
- Lack of harmonized policies, standards, and frameworks;
- Siloed approaches across sectors and within industries, including insufficient ‘systems thinking’; and
- Gaps in innovation, technology, infrastructure, and financing.

A focus on four key drivers can support the transition in North America: partnership, policy, innovation, and investment. Enablers within these areas are listed in Table ES1. The key drivers and enablers must be considered as an interconnected system to address the challenges and achieve success.

**Table ES1:** Key drivers and enablers for accelerating the circular economy in North America.



Source: The Delphi Group, adapted from Closed Loop Partners

## In Summary

Moving away from the current linear model and transitioning to a circular economy does not look to close doors to international trade, but rather allows more value to be captured from the region’s natural resources and materials, reducing losses by keeping these resources circulating longer in the economy and recapturing their value at the end of a product’s lifetime. It can also help to support climate action in alignment with established climate change mitigation goals and targets.

While moving to a world with minimal waste will present formidable challenges, the current COVID-19 pandemic shows that innovation and collaboration are essential when it comes to addressing global crises, and that transformation can happen when collective minds are put to the task. The same can apply for the circular economy transition, which, if successful, will create a thriving, resilient, and inclusive low-carbon economy for North America.

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# 1. Background

Canada is hosting the World Circular Economy Forum (WCEF) from September 13 to 15, 2021, co-organized by Environment and Climate Change Canada (ECCC) and the Finnish Innovation Fund Sitra. To build momentum leading up to WCEF2021, and to advance discussions among key stakeholders on the opportunities, issues, and challenges associated with advancing North America's circular economy transition, ECCC and the North American office of the United Nations Environment Programme (UNEP) co-convened a WCEF side event on November 19, 2020.

This 'Circular North America' side event was organized in partnership with the Circular Economy Leadership Coalition, the Ellen MacArthur Foundation, and MIT Solve, and was designed to connect the community of actors across the ecosystem, drawing insights from and building on the outcomes from earlier events, including the:

- Great Lakes Circular Economy Forum (Toronto, June 24-26, 2019)<sup>1</sup>
- GLOBE Advance 2020 Workshop on Advancing a Circular Economy in Canada (Vancouver, February 13, 2020)<sup>2</sup>
- Journey to a Circular Economy in the Canada-U.S. Region Session (WCEFOonline, September 29, 2020)<sup>3</sup>

The Delphi Group was commissioned to undertake research and develop a Discussion Paper (i.e., this document) to support the dialogue at the Circular North America side event. As part of this effort, Delphi engaged a number of subject-matter experts and regional stakeholders through targeted interviews to gather input and refine the themes and focus areas of the Discussion Paper, as well as shape the discussion questions at the event.

It is hoped that the outcomes from this side event will result in an action agenda for North America in the lead up to WCEF2021 and beyond, coalescing key players and helping to accelerate the transition to a thriving and resilient low-carbon circular economy across the region. Note that the Discussion Paper was updated following the side event to reflect participant input and outcomes from the dialogue.

A summary from the event is included in Appendix B.

## 2. The Circular Economy: A trillion-dollar opportunity

Every year, more than 100 billion tons (United States) of raw materials globally are transformed into new products. At the same time, only 8.6% of the planet's materials and resources used for these products are cycled back into the economy at the end of their use.<sup>4</sup> Two-thirds of these materials end up dispersed into the environment as unrecoverable 'waste' or pollution – garbage into landfills, plastics into the oceans, carbon dioxide (the 'waste' byproduct from burning fossil fuels) into the atmosphere.

This linear 'take-make-waste' economy puts pressure on the Earth's natural ecosystems and exacerbates social inequalities as a result.<sup>5</sup> It also presents enormous lost economic opportunities from failing to recapture the value of these material resources. Globally, roughly a third of all food is wasted at an annual value of nearly United States Dollar (USD) 1 trillion.<sup>6</sup> In Canada alone, the value of food lost or wasted every year has been estimated at Canadian Dollar (CAD) 49 billion.<sup>7</sup> In the United States (U.S.), it is estimated that USD 10 billion per year worth of materials enter landfills across the country.<sup>8</sup>

### *The Circular Economy as a Solution to the Current Resource Crisis*

In the last half century, the world's population has more than doubled, while the amount of material flowing through the economy has more than tripled. A societal culture that favours convenience and 'disposability' has evolved over the last several decades. This culture, combined with an expanding population, technological productivity enhancements, the globalization of supply chains, and the sub-optimal functioning of recycling infrastructure and markets, are root causes of pollution and overconsumption.

The circular economy model has come to the forefront as a solution for moving away from today's linear society and for addressing the growing environmental and social issues and risks. The circular model is also generating new economic and employment opportunities, creating more resilient communities and businesses, and spurring innovation and new investment. The vision of a circular economy – which optimizes the use of resources and looks to recover and cycle materials through our economy indefinitely – is inspiring many to action.

The model aims to design out waste and pollution through upstream interventions, keeping products and materials in use at the highest value possible throughout their lifetimes, while regenerating natural systems.

### *Key Principles of the Circular Economy*

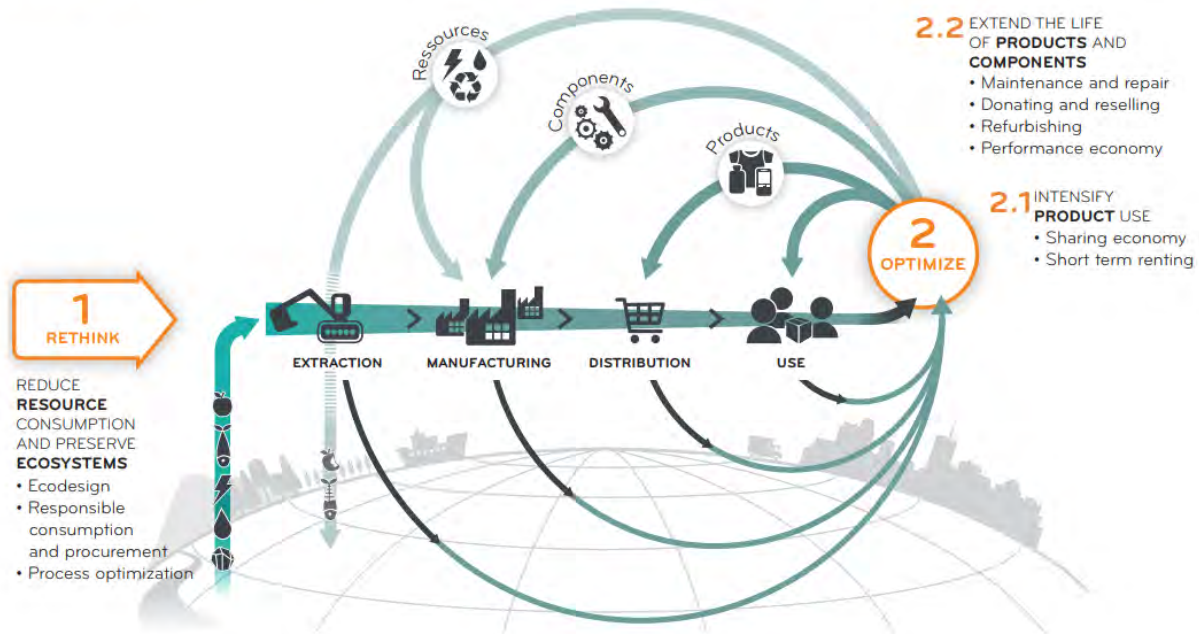
The circular economy is under-pinned by three key principles (as described in the list below, with the first two illustrated in Figure 1), with the entire system being powered by renewable and clean energy.

1. **RETHINK** – Reducing resource consumption, sustainably managing renewable resources, and designing out waste, harmful chemicals, and pollution from products and services.
2. **OPTIMIZE** – Keeping products and components at their highest value and in use for as long as possible while minimizing material losses (including design for durability, reuse, and reparability).
3. **REGENERATE** – Preserving ecosystems and regenerating natural capital.

It is important to note that the circular economy is not about ending growth, but rather looks to decouple finite resources from economic activity and long-term wellbeing. It seeks to realign economic activities into harmony with nature so that prosperity can continue in a world of finite and sustainably-managed renewable resources, and without environmental degradation.



# CIRCULAR ECONOMY



Source: Institut EDDEC in collaboration with RECYC-QUEBEC.

**Figure 1:** Diagram of the circular economy.

The circular economy sees material flows as part of two distinct cycles: biocycles and techno-cycles. With respect to the biocycles (i.e., biological loops), the objective is to return biomass into the biosphere after use – food and wood products from construction as two examples. With respect to the techno-cycles, which encompasses inorganic products and materials such as metals and minerals, the objective is to keep them in closed loops to ensure the possibility of reuse and recycling and to prevent potential pollution.

## **Circular Economy: A Trillion-dollar Economic Opportunity**

The economic opportunities of the circular economy are significant. Accenture estimates that transitioning to a circular economy could generate USD 25 trillion worth of additional economic output globally by 2050, as well as enhance the resiliency of the global economy and its supply chains.<sup>9</sup> As stated by the World Economic Forum: *“Circular business models will gain an ever greater competitive edge in the years to come because they create more value from each unit of resource than the traditional linear ‘take-make-dispose’ model.”*<sup>10</sup>

Leveraging the biological loops presents opportunities within the bioeconomy. Representing 7% of today's economy, the circular bioeconomy seeks to capture maximum value from biological resources. The sustainable supply of feedstock, coupled with forest and soil carbon cycling and storage capabilities, carbon storage in bioproducts, and the composting / re-integration of biomaterials into the biosphere creates enormous value. As a result, the circular bioeconomy is estimated to present a USD 7.7 trillion opportunity in 2030 related to new products, energy, and capturing value from agriculture and forestry waste.<sup>11</sup>

### Alignment with Sustainability Goals and Climate Action

While the term ‘circular economy’ is relatively new, the underlying concepts have been around for decades and are based on principles linked to sustainable development, industrial ecology, ecological economics, design-for-environment, cradle-to-cradle thinking, biomimicry, and others.<sup>12</sup> It was, in fact, an American economist Kenneth Boulding in his 1966 article “The Economics of the Coming Spaceship Earth,” who highlighted that humans live on a planet with finite natural resources and, because of that, a linear economy will not succeed over the long-term.

The circular economy has strong alignment with the United Nations’ Sustainable Development Goals (SDGs) as it relates to broad environmental and social sustainability considerations, as well as the Paris Climate Agreement, due to its potential to reduce global greenhouse gas (GHG) emissions.

The circular economy contributes to preserving ecosystems and biodiversity given that reduced demand for raw materials lowers the need for land use change, thus enabling both conservation and access to resources. It also seeks to remove harmful chemicals from production processes reducing the risk of environmental pollution.<sup>13</sup> The circular economy model can also help to tackle some of the 45% of GHG emissions that are attributable to land use changes and non-energy industrial activities.<sup>14</sup> It is estimated that two-thirds of GHG emissions are released during the extraction, processing, and manufacturing of goods<sup>15</sup> – applying circular economy strategies in just five key areas (cement, aluminum, steel, plastics, and food) could reduce global emissions by 40% in 2050.<sup>16</sup>

### Recognizing the Benefits of the Circular Economy

As the circular economy model evolves, the benefits to governments, to companies, and to communities at large are becoming better understood. Some of the potential benefits identified to date are outlined in Table 1.

Circularity principles are part of many Indigenous peoples’ culture and they understand its potential benefits given its alignment with traditional ways of living in harmony with the natural environment and within ecological boundaries, while simultaneously presenting new economic opportunities.

**Table 1:** Potential benefits from the circular economy to various key stakeholders.

<b>Benefits to Governments &amp; Society</b>	<b>Benefits to Companies</b>	<b>Benefits to Communities</b>
<ul style="list-style-type: none"> <li>• Reduce GHG emissions and mitigate climate change</li> <li>• Maximize the value from resources and materials and increase resource security</li> <li>• Restore and regenerate natural capital and ecosystems</li> <li>• Create resilient jobs and attract investment</li> <li>• Relieve pressures on municipal services and budgets</li> <li>• Leverage innovation and demonstrate technology leadership</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce resource and carbon-intensive energy consumption</li> <li>• Reduce operating costs</li> <li>• Improve competitiveness</li> <li>• Strengthen relationships and brand (customers, employees, suppliers)</li> <li>• Diversify revenues</li> <li>• Mitigate risk (e.g., supply chain resiliency)</li> </ul>	<ul style="list-style-type: none"> <li>• Increase disposable income</li> <li>• Encourage an innovation-rich local economy</li> <li>• Reduce GHG emissions and pollution</li> <li>• Improve quality of life and livelihoods</li> <li>• Create diverse employment opportunities</li> <li>• Alleviate social inequalities</li> </ul>

It is important to recognize, however, that the benefits from the circular economy may not be uniformly distributed across sectors, geographies, populations, and/or communities (e.g., urban and rural). Prioritizing an inclusive circular economy will be essential to accelerating the transition.

## **About this Discussion Paper**

While transitioning to a more circular economy presents a tremendous global opportunity, what does it mean for North America more specifically? Success hinges on defining the region's unique capabilities, addressing key challenges and barriers, and unlocking the innovation that will drive new business models and systems-thinking in support of a circular transition.

Defining the opportunities for North America requires an understanding of where things are today, what the end goal is, and how to get there – identifying relevant natural resource industry strengths while leveraging service-based sectors and the broader innovation ecosystem.

The circular economy involves collaboration and systems-thinking at three scales within the North American context:

- **Macro-level** – At the industry / supply chain or jurisdictional (e.g., cities, provinces, regions, countries) levels;
- **Meso-level** – At the community or corporate levels; and
- **Micro-level** – At the product or individual consumer levels<sup>17</sup>

This Discussion Paper focuses on the macro-level where broad systems change can occur. At the jurisdictional level, for example, this may encompass changes to the built environment, within energy and mobility systems, and production systems to leverage the bioeconomy and enhance 'local value loops'<sup>18</sup>

A future vision for what a circular North America could mean – in terms of the benefits to businesses, communities, and society at large – is set out in the next section, followed by an overview of the current situation in North America and considerations for future actions required to realize the vision and the full potential of the circular economy.

### 3. Vision for a Circular North America

Building a circular economy in North America will require an enormous structural and cultural shift to address the currently unsustainable linear model – a shift on the scale of the industrial revolution. While daunting, the challenge can also inspire. If we envision the future we want, we can better understand the opportunities and pathways for getting there.

Let's put the challenges aside for a moment and imagine what a truly circular economy in North America could look like – one that reimagines how we make our goods and deliver our services, how we feed, heat, and cool ourselves, how we live and work, how we get around, and what we do with products at end of use. To be clear, it is not about an economy that is insular or closed off from the rest of the world, but rather one that looks to strengthen supply chains, extracting the maximum value of goods and resources while regenerating nature and improving the quality of life for all. If we get it right, North America could become a region with minimal waste (as in nature), where materials and resources are preserved and valued at their highest potential. It is a world that is powered by renewable and clean energy and low-carbon solutions.

#### *Healthy and Sustainable Communities Prosper*

We will see a future in which our cities and communities are healthier given less pollution and harmful chemicals in the environment, and more resilient given secure access to essential goods and services. Investments in natural ecosystems result in more green spaces and restored biodiversity, stronger utility systems, and long-term cost savings. Cities and communities are incubators for new ideas and creative business models. Resource-based rural, remote, and Indigenous communities prosper as they work to reliably supply sustainably managed resources and biomass to market. Our homes, buildings, and infrastructure are 'material banks', designed to be deconstructed and repurposed at their end of life from the use of renewable and recycled materials, including wood and low-carbon concrete.

#### *Engaged Citizens and Businesses Collaborate and Inspire Innovation*

Collaboration across governments, business sectors, academic and applied researchers, non-governmental organizations, and Indigenous communities has resulted in a thriving innovation ecosystem that leverages our strong foundation in areas such as industrial ecology and systems thinking, while incorporating nature-based solutions and Indigenous knowledge and practices.

Citizens drive the demand for circular economy products, services, and solutions. Awareness of the circular economy is widespread among citizens, with 'circular' education beginning at the primary level so as to empower youth. Citizens now recognize the value of and demand high-quality products that last longer and can be shared, rented, reused, and easily repaired – including everyday items such as vehicles, electronics, small appliances, clothing, and furniture. People know that if something is broken, it makes sense and costs less to fix it rather than to throw it away and buy new. Repair centres and clinics allow for youth and craftspeople alike to come together, creating jobs in the process. The fewer items we do buy from stores are often refurbished or remanufactured, come with less packaging, and are fully recyclable – and no plastics or harmful single-use items end up in our oceans or waterways.

Companies have set aggressive science-based targets that incorporate circular economy principles. Innovative and creative design thinking has reduced the environmental impacts from our products and packaging, using nature-inspired concepts like biomimicry to bring forward solutions and eliminate harmful substances, chemicals, and toxins from our goods, materials, and processes. Technology firms across North America are working with partners to tackle local and global challenges through creative circular solutions that have positive impacts that reverberate around the world.

Investments in circular companies, communities, and infrastructure are creating new, accessible jobs and opportunities that pay living wages. Investments in workforce training and upskilling ensure that no one is left behind – providing valuable and transferrable skills that are adapted for more resilient business models. The transition results in an improved quality of life for citizens, enabling economic mobility, addressing inequalities, and improving social justice.

### ***Industry Leads the Transformation***

North America's natural resource strengths continue to play a vital role in our economy. Well-managed forests and agricultural lands are resulting in productive and resilient industries and biorefineries that apply circular thinking to provide ecological services and sequester carbon and nutrients, while producing the materials and feedstock needed for a range of high-value bio-products such as energy, pharmaceuticals, biochemicals, and light but strong biomaterials. Food loss and waste has been considerably reduced through precision agriculture technologies and regenerative practices (reducing environmental impacts and land use pressures), more efficient and innovative supply chains and manufacturing, and significant changes in behaviour at the consumption end.

Primary resource and manufacturing sectors have enhanced their production technologies and processes to allow for the reintegration of secondary, recycled, and recovered materials, improving access to resources across North America and the resiliency of global supply chains. Companies understand the value of what comes out of their factories, and are incented to find alternative uses for resources at end of life other than the landfill.

Manufacturing facilities are saving money by using minimal amounts of energy and water during production, using fewer virgin material inputs, and producing next to zero waste through the application of innovative clean technologies. What does come out at the end of the process is often sold to nearby companies and other industries, creating new revenue streams and saving on costs such as water treatment and landfill fees. At the same time, a high-quality, predictable flow of secondary, recycled, and recovered materials are reintroduced upstream into the manufacturing process. The entire industrial ecosystem is enabled through circular product design, efficient supply chains and infrastructure that allows for a blending of primary and secondary materials across borders to repair, disassembly, and remanufacturing hubs using low-carbon transportation solutions – with a focus on local supply chain inter-connections.

### ***Policy Drives Action***

All of the above is inspired by the diversity of our peoples and through a collective strategy for North America that drives innovation, attracts investment, and creates jobs while strengthening communities and protecting the environment. A strategic, yet flexible, policy framework has enabled the transition, including well-designed regulation, supportive and aligned incentives and economic instruments, and green public procurement. Collaboration across all orders of government has allowed for policies and regulations to be harmonized and barriers removed, including issues related to circular economy trade across borders.

Policies have led to more transparency and accountability throughout supply chains. Better metrics, increased data collection and analytics, and information sharing underpin our ability to measure prosperity (e.g., moving beyond gross domestic product (GDP) as the primary metric for prosperity) and track our circularity transition, ensuring we are addressing climate change, restoring our damaged ecosystems, promoting social justice, and moving in a positive direction for all.

## 4. Circular North America: Where are we today?

The vision presented in the last section is hopeful and meant to inspire – but we realize this future will take work. Data suggests that the global economy is less than 10% circular.<sup>19</sup> The reality for North America, however, is that a full understanding of baseline circularity and other key metrics or performance indicators are lacking, creating challenges in terms of measuring progress.

We know that Canada and the U.S. currently generate some of the highest average amounts of waste per capita in the world, at approximately 2.21 kilograms (4.87 pounds) per day.<sup>20</sup> Comparatively, Mexico produces approximately 1.16 kilograms (2.56 pounds) per person daily.<sup>21</sup>

It is estimated that the U.S. discards nearly 500 billion pounds of solid waste per year, three-quarters of which could be recycled or repurposed (although only 30% currently is).<sup>22</sup> In Mexico, it is estimated that only 47% of the full potential economic value from recycling is captured.<sup>23</sup>

The global COVID-19 pandemic has also created a waste crisis in the immediate term, including the use of more disposable items (such as plastic bags, take-out containers, and disposable menus) and personal protective equipment (such as masks, face shields, and gloves). The significant drop in oil prices has also challenged the business model for recycled plastics when compared with cheaper virgin materials.

### *Insights from Other Regions*

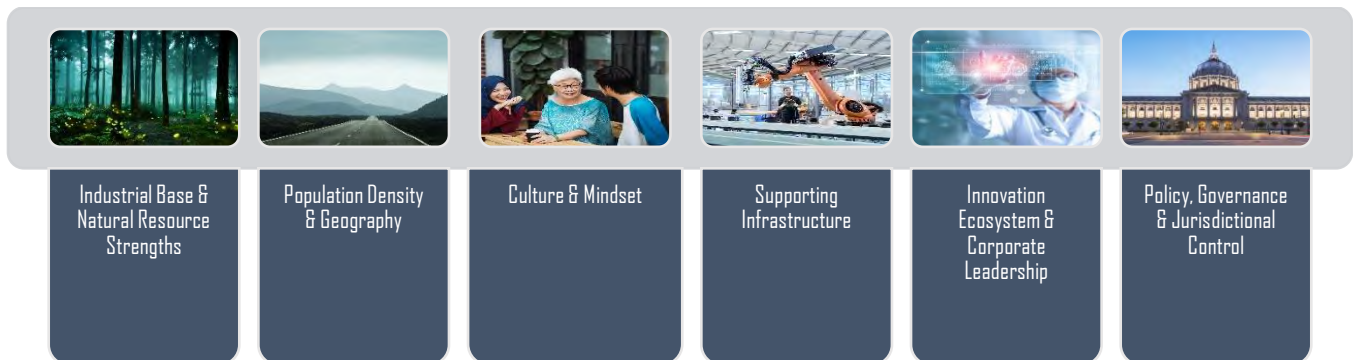
There are various drivers and factors that influence the circular economy transition – which can also vary by region. Analysis of the ‘circularity gap’ from other national-level jurisdictions can provide some insight. Norway, for example, a resource rich, trade-dependent country with high consumption habits similar in some respects to Canada, was found to be only 2.4% circular.<sup>24</sup> Mexico is in the process of undertaking a circularity gap assessment, as are the City of Toronto<sup>25</sup> and the Province of Quebec ([more information here](#)).

In Europe, circular economy conversations have become more prominent, encouraging new business models that seek to reform and even eliminate the concept of waste altogether. In 2015, a comprehensive and overarching European Union (EU) policy initiative was developed – referred to as its “Circular Economy Package” and corresponding Action Plan – which aimed at improving competitiveness by protecting EU businesses against the scarcity of resources and volatile prices, helping to create new business opportunities and innovative, more efficient ways of producing and consuming. In fact, analysis suggests that the circular economy could save European businesses up to USD 630 billion per year.<sup>26</sup> A new Circular Economy Action Plan was adopted in March 2020 as part of the European Green Deal.<sup>27</sup>

Asia has seen advancements in circularity as well. Policies in China have focused on upstream components and the manufacturing supply chain to ensure access to critical materials, resources, and feedstocks. In Japan, the circular economy has been driven by a lack of land for waste disposal, as well as a shortage of raw materials that could be sourced domestically, producing incentives for greater levels of recycling and waste diversion.

## North America's Unique Starting Position

It is fair to say that North America is starting from a different position and with a different set of strengths – however, it is not starting from scratch. While circular economy discussions in North America remain largely focused on waste management and recycling initiatives at present, the region's strengths and unique characteristics can form the foundation for a more holistic circular economy transition. The following six factors highlighted in Figure 2 are considered in more detail in the sub-sections below as they relate to the current North American context.



**Figure 2:** Six considerations for North America's circular economy.

## 4.1 Industrial Base and Natural Resource Strengths

### North America's Industrial Base as a Foundation

The fabric of North America's industrial base is fundamental to realizing the circular economy opportunity. The industrial base varies by country, as well as geographically by region. Many multi-national corporations are based in North America, including major consumer brands and manufacturers of household goods, electronics, and fashion.

The U.S. is a world economic powerhouse with the largest nominal GDP in the world, valued at USD 18.46 trillion, which translates to 22% of the world's GDP. The economy of the U.S. can be divided into three broad categories:

- The service sector (including real estate, finance and insurance, health and social care, education, retail, and public sector);
- The manufacturing sector (including technology and durable consumer goods such as information technology, automotive, and aerospace); and
- The natural resources sector.

Canada ranks 10<sup>th</sup> globally in terms of GDP. The service industry and manufacturing sector are significant economic drivers. Canada is a global leader in raw materials and intermediate (semi-finished) goods and products in sectors such as aerospace, automobiles, and software development. The primary resource sectors (forestry, agriculture, fishing, mining, and energy) play a proportionally large role in economic development compared to other developed nations. This varies across regions but represented approximately 11% of GDP in 2019.

A study assessing Canada's circular economy potential found the total GDP of industries assumed to have the capability to integrate secondary materials into refurbished or remanufactured products in Canada was CAD 277 billion, representing 14.7% of national GDP in 2016.<sup>28</sup> The relevant industries

from this study with the highest GDP were construction (52%) and manufacturing (34%). At the industry level, the economic importance of the construction sector is followed by primary and fabricated metal manufacturing (9.5%), food manufacturing (9%), and mining and quarrying (8%).<sup>29</sup>

Mexico has the world's 15<sup>th</sup> largest GDP, with the second largest economy of all Latin American countries. Petroleum products, mining, and manufacturing are among Mexico's biggest industries, making up approximately 35% of GDP. Mexico's manufacturing sector is dominated by industries that include automotive, aerospace, medical devices, and electronics – as well as manufacturing plants that take in imported raw materials and produce goods for domestic consumption and export on behalf of foreign companies (commonly known as maquiladoras), a segment that has historically benefited from the North American free-trade agreements.

Design and product specifications for many of these goods are developed outside of Mexico in the headquarters of multi-national companies that prescribe to Mexican manufacturers how to produce, manufacture, and assemble according to their product specifications. Mexico, as such, often lacks decision-making power on when these companies decide to change the design of their products and production processes to fit circular economy pattern.

### ***Natural Resources Redirected as a Circular Economy Strength***

North America has historically been known as a resource rich economy. Canada is estimated to have the 3<sup>rd</sup> highest total value of natural resources in the world at USD 33 trillion, while the U.S. comes in at 7<sup>th</sup> highest.<sup>30</sup> This reality means that scarcity of resources is less likely to be the primary driver of the circular economy. Instead, innovation and growth opportunities in areas such as the circular bioeconomy (i.e., enhanced use of forestry and agricultural feedstock, both domestically and for export) and mineral and metal recycling and secondary manufacturing should be explored.

North America has a base to build on in these areas already. As an example, the forestry sector is involved in value-add engineered wood products for the building of modular housing and tall wood buildings. Wood fibre and agricultural waste materials are being transformed into useful products such as compostable bioplastics, biofoam insulation, and even compostable personal protective equipment such as face masks in response to the COVID-19 pandemic. The *Forest*

*Bioeconomy Framework for Canada* seeks to harness these initiatives to create more opportunities to provide advanced bioproducts and nature-based innovations for the low-carbon and circular economy transitions.

***The scarcity of resources is less likely to be the primary driver for the circular economy in North America. Instead, innovation and growth opportunities in areas such as the bioeconomy, mineral and metal recycling, and secondary manufacturing and remanufacturing should be explored.***

The *Canadian Minerals and Metals Plan* has identified the circular economy, including metals recycling and reprocessing, as an area for action.<sup>31</sup> The Canadian Mining Innovation Council has launched its "Towards Zero Waste Mining" that has identified opportunities to transform mining processes, advance energy efficiency, and reduce GHG emissions through recovering heat loss in mineral processing; developing and deploying new technologies to minimize waste and improve water quality; and improving ore reserve definition.

Further work is underway in Canada to assess the economic opportunities through a multi-disciplinary Expert Panel on the Circular Economy led by the Council of Canadian Academies.<sup>32</sup>



## 4.2 Population Density and Geography

North America is known by many as a “land of plenty” – a continent with a large geographic expanse, that is rich in resources, and has a low population density (see Table 2).

**Table 2:** Continents by population density.

Rank	Continent	Population Density (Km Squared)	Population Density (Mi Squared)
1	Asia	95.03	246.11
2	Europe	72.51	187.84
3	Africa	33.66	87.15
4	North America	22.13	57.29
5	South America	22.00	56.90
6	Australia	3.12	8.37

Source: World Atlas.<sup>33</sup>

While the relatively low population density and access to nature are some of the region’s greatest attributes, they have also contributed to urban sprawl. Unlike Europe and Asia, this creates unique challenges for the cost of doing business and the investments needed to support the required infrastructure and service delivery models of the circular economy.

As a result, the cost to set up recycling collection is high, and achieving economies of scale for reclaimed materials and resources across distributed supply chains is challenging. In addition, landfilling costs remain relatively low, with the impacts largely ‘out-of-sight and out-of-mind’, thereby reducing or eliminating an incentive for change.

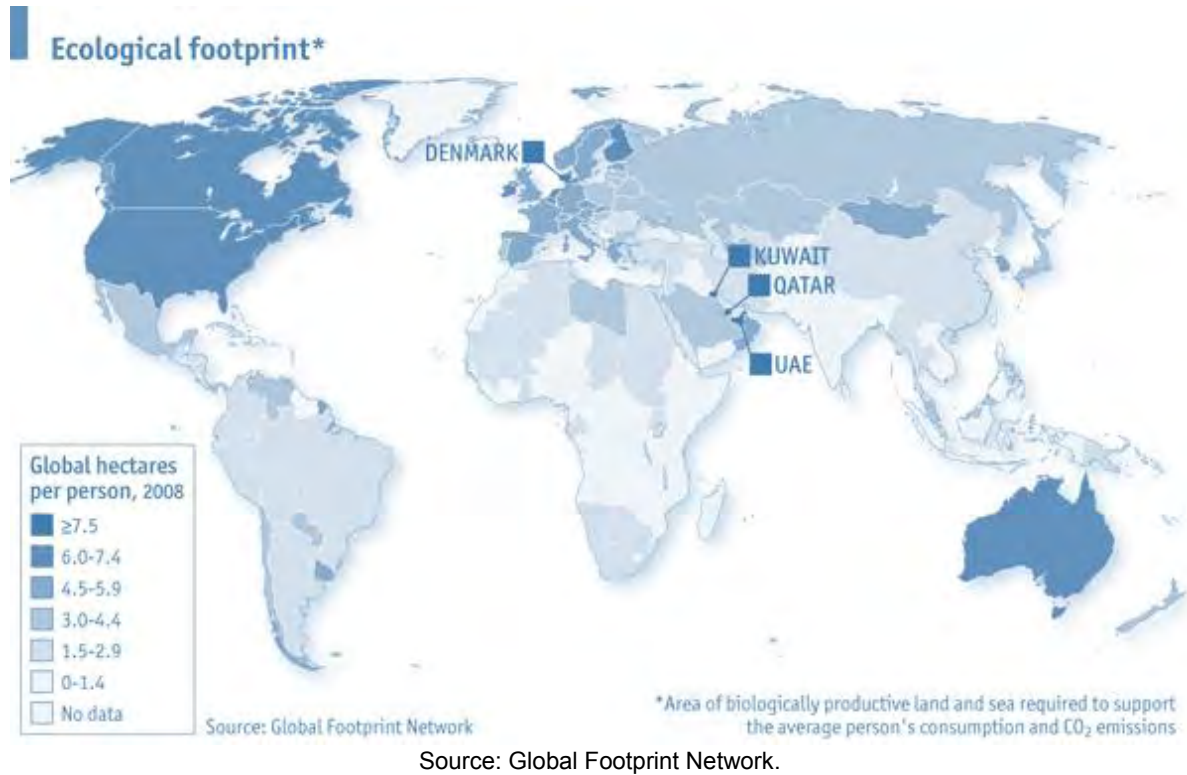
*North America’s relatively low population density creates unique challenges for the cost of doing business and the investments needed to support the required infrastructure and service delivery models of the circular economy.*

While geographical distribution does pose challenges, the market has adapted by creating north-south recycling regions, particularly between Canada and the U.S. and the U.S. and Mexico. With the trend toward urbanization, new opportunities will arise for North American cities and communities that could drive demand for more service-based business models like ride sharing and product reuse and repair.

## 4.3 Consumption, Culture, and Mindsets

The prevailing societal mindset of ‘plenty’, based on access to a wealth of natural resources and abundant land and space, has created some apathy (or lack of necessity / urgency) with respect to the circular economy in many parts of North America. A society strongly influenced by consumerism culture (tied to wellbeing) has resulted in the U.S. and Canada ranking in the top countries globally with the largest ecological footprint per capita (see Figure 3). The prominence of primary resource and extraction industries and the large geographic distances contribute to this footprint.

Mexico, in contrast, is a complex country where disparities are even more evident across incomes, geographies, education and governance, resulting in different consumption patterns across groups. While Mexico has significant industrial, manufacturing, and tourism industries, the business culture mindset tends to be more risk averse, which may affect the pace of change or attitudes towards the circular economy.<sup>34</sup>



**Figure 3:** Ecological footprint by country (global hectares per person, 2008).

### **Cultural Diversity Brings Innovation**

North America’s diverse cultures and economies provide a unique opportunity for innovation to flourish if supported by an openness to idea flow, technology adoption, information sharing, and communication.

Indigenous peoples in North America bring an enormous cultural strength that could inspire a focus on stewardship of the land and resources, with wisdom and practices that support the circular transition and systems change that are needed. This can link with work underway to reclaim economics using an Indigenous worldview within the modern economic space. As such, North America has a strong foundation for accelerating the circular economy by building on its diverse cultures to adopt an inclusive approach and shift to more sustainable consumer behaviours.

## 4.4 Underlying Infrastructure

North America's underlying infrastructure is inconsistent, varying by country and by state / province / territory, and is often insufficient to support the transition to a circular economy.

### *Circular Economy-related Infrastructure Varies Across the Region*

Infrastructure for the collection and management of waste materials and recycling in North America is a patchwork that often involves a hybrid of private sector and public sector oversight. In some jurisdictions, such as California, British Columbia, Quebec, and Ontario, recycling systems are well-established and increasingly funded by industry through extended producer responsibility (EPR) programs. The Metro Vancouver region (in British Columbia), for example, has achieved a diversion rate of 64%. Phoenix, Arizona, went from a 20% diversion rate in 2015 to achieving 36% diversion as of 2019 due in part to targeted investments in infrastructure and related programs.

In other locations, particularly in Mexico and some parts of the U.S., as well as more rural and remote locations across the continent, waste management and recycling infrastructure may be lacking altogether. In the Northern parts of Canada, for example, territories struggle with providing recycling programs due to the cost of expanding the infrastructure and maintaining collection services.<sup>35</sup> Poor diversion and recycling infrastructure is also a challenge in Mexico. Furthermore, many of the country's approximately 650 open-air dumpsites and about 200 landfills are in poor condition and lack basic infrastructure to ensure sound operation and monitoring of waste streams.

*Existing infrastructure gaps can allow jurisdictions to “leapfrog” the traditional waste management system and focus more on the upstream components of material flows in areas such as material use reduction, product redesign, reuse, remanufacturing, and repair.*

In some regions, value-added manufacturing exists while, in others, raw materials are extracted and sold at their lowest value to the global marketplace. At present, remanufacturing accounts for only 2% of production in the U.S.<sup>36</sup> At the same time, the revitalization of former industrial heartlands in areas such as the Great Lakes Region is supporting a nascent remanufacturing sector, repurposing under-utilized infrastructure and assets for circular product innovation and creating new employment opportunities (see **case study on the REMADE Institute** in Appendix A). This includes the development of secondary material marketplaces.

### *Infrastructure Gaps Present Opportunities to “Leapfrog”*

In Europe, many Nordic countries (such as Sweden and Denmark) have invested heavily in waste-to-energy facilities to heat and power their communities and struggle to move away from this approach given the entrenched business and revenue models that, in some cases, now involve importing waste from other countries in order to fuel these facilities.

In North America, the choice can be made to avoid this pathway and instead invest in infrastructure that ensures the highest value for materials and resources is captured (in line with the '9R' hierarchy shown in Figure 4). Infrastructure gaps, in essence, may provide an opportunity for some jurisdictions to “leapfrog” the traditional waste management system and focus on the upstream components of material flows in areas such reuse, repair, remanufacturing, refurbishment, and high-quality or enhanced recycling.

Circular Economy	STRATEGIES	
	Smarter product use and manufacture	R0 Refuse
R1 Rethink		Make product use more intensive (e.g., by sharing product).
R2 Reduce		Increase efficiency in product manufacture or use by consuming fewer natural resources and materials.
Extend lifespan of product and its parts	R3 Reuse	Reuse by another consumer of discarded product which is still in good condition and fulfills its original function.
	R4 Repair	Repair and maintenance of defective product so it can be used with its original function.
	R5 Refurbish	Restore an old product and bring it up to date.
Useful application of materials	R6 Remanufacture	Use parts of discarded product in a new product with the same function.
	R7 Repurpose	Use discarded product or its parts in a new product with a different function.
	R8 Recycle	Process materials to obtain the same (high grade) or lower (low grade) quality.
	R9 Recover	Incineration of material with energy recovery.
Linear Economy		

Source: Ellen MacArthur Foundation (adapted from Circular Economy: Measuring innovation in product chains).  
[https://www.ellenmacarthurfoundation.org/assets/galleries/CEinaction-Activity06-nine-Rs-6R3\\_from-graham-081217.pdf](https://www.ellenmacarthurfoundation.org/assets/galleries/CEinaction-Activity06-nine-Rs-6R3_from-graham-081217.pdf)

**Figure 4:** 9R waste-resource management hierarchy

## 4.5 Innovation Ecosystem and Corporate Leadership

The innovation ecosystem in North America is well-advanced, with access to funding and financing designed to take ideas from concept to scale. Universities and applied research centres are world leading in areas such as synthetic biology, material innovation, artificial intelligence, digital platforms, and more. While clean technology, including renewable energy and energy efficiency, has received significant attention in the last decade, there has been less focus in North America on circular economy related innovation and solutions (e.g., technology or business model innovation) in areas such as design for repair and disassembly, robotics for sorting recycling, and remanufacturing.

### *Corporate Leadership is Driving Impact*

Corporate leaders are mobilizing around key issues, including regenerative agriculture and plastics pollution (see **case study on the U.S. and Canada Plastics Pacts** in Appendix A). In September 2020, Walmart, the world’s largest retailer (headquartered in the U.S.) established a goal to become a regenerative company, looking to reach zero emissions across all of its operations by 2040 and aiming to protect, manage, or restore at least 50 million acres of land and one million square miles of ocean by 2030.<sup>37</sup>

North America also houses some of the world's largest and most innovative technology companies that are well placed to help resolve key obstacles to uptake of circular business models through digitization. Many of these companies have already established circular economy ambitions, targets, and activities. Google, Amazon, and Cisco, for example, are all members of the Ellen MacArthur Foundation's global circular economy network. In 2017, Apple announced that it would make its products with 100% recycled or renewable materials (although no target date for this has yet been set).<sup>38</sup>

In addition, there are many small-scale disruptors and innovators actively advancing technologies and new business models in areas such as resource recovery, circular supply chains, product life extension, product-as-a-service, and sharing platforms.

## 4.6 Policy, Governance, and Jurisdictional Authority

The political and governance structures, as well as jurisdictional controls across North America, are varied and complex. The regulatory environment is relatively well-developed and can form a foundation for furthering the circular economy – although opportunities exist to further develop and enforce regulations that recognize ecological boundaries and science-based principles.

### *Policy Leadership on Circular Economy is Growing*

Federally, Canada has been showcasing leadership on climate action and circular economy, including:

- Its 2030 GHG emission reduction targets and a plan to legislate Canada's goal of net-zero emissions by 2050; and
- The Ocean Plastics Charter, the Canada-wide Action Plan on Zero Waste Plastics (in collaboration with the Canadian Council of Ministers of the Environment), and related proposed single-use plastic item bans.

In Mexico, the *Sector Program for the Environment and Natural Resources* aims at strengthening the country's low-carbon economy, recognizing the need to improve existing infrastructure for reuse and recycling and for supporting states, regions, and municipalities with their waste management plans. At the same time, implementation and enforcement of regulations are challenges, as is corruption.

In the U.S. and Canada, state and provincial / territorial governments, together with the federal governments, hold significant policy, legislative, and regulatory power. This is somewhat different from the European situation where capital cities together with national governments tend to drive policy. For example, the City of Copenhagen and the Danish government work in close collaboration to shape legislation and policy action. Most European countries are also members of the European Union, which provides a top-down framework for policy in the region, the European Commission's Circular Economy Package as one example.

Several states in the U.S. are writing supportive legislation that recognize circular economy principles, such as New York, California, and Oregon. In addition, cities are also playing a bigger role in developing circularity strategies, policies, and regulations within their control. Cities such as New York, San Francisco, Austin, Phoenix, Charlotte, Toronto, Montreal, and Vancouver are a few examples (see **case studies on leading cities** in Appendix A).

### ***Effective Policy Requires Harmonization***

Fragmentation within the policy and regulatory environment creates challenges for cross-jurisdictional waste management, as well as the flow of goods, materials, and resources, and a need for better harmonization. In Canada, the Regulatory Reconciliation and Cooperation Table, which falls under the Canada Free Trade Agreement, is a potential venue for addressing these issues.

The Commission for Environmental Cooperation also offers an opportunity to align policy efforts between Canada, the U.S., and Mexico, with a focus on circular economy and materials management included in its 2021-2025 Strategic Plan.<sup>39</sup> In addition, ongoing efforts in the Great Lakes and Saint Lawrence region through the U.S. Chamber of Commerce Foundation and the Council for the Great Lakes Region present excellent models of cross-border collaboration (see **case study on the Great Lakes Region collaboration** in Appendix A)<sup>40</sup>.

### ***Indigenous Policy & Governance Issues***

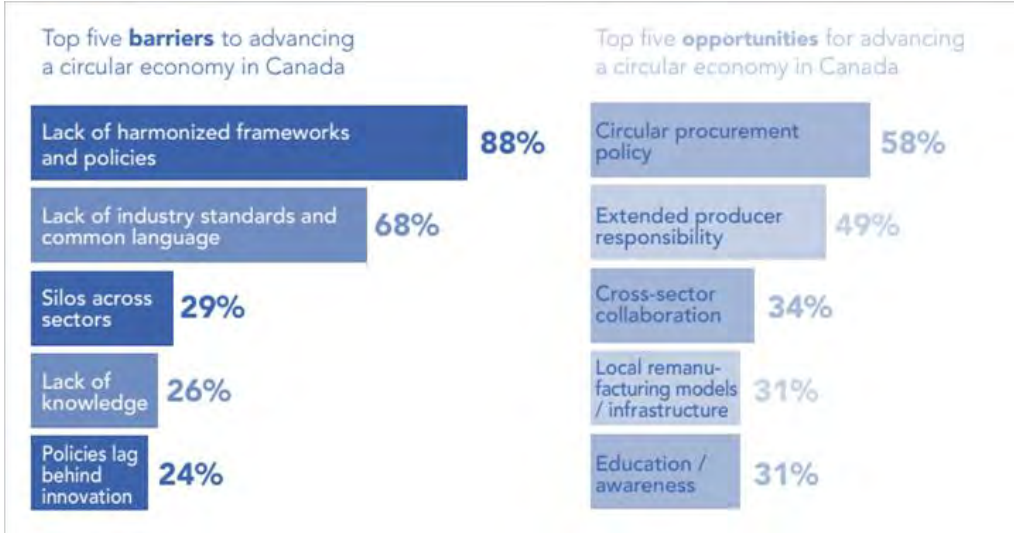
Policy and jurisdictional challenges and opportunities can also vary by region and by community. For example, many Indigenous communities in Canada struggle under existing policy and governance structures, such as the *Indian Act*, which is a Canadian federal law that governs in matters pertaining to Indigenous people's status and reserve lands, regulating and limiting the decision-making of Indigenous peoples regarding their reserve lands and traditional territories at the broader regional level. As such, governance, policy, and legal reform is needed in order to incentivize and allow for business innovation and entrepreneurship, as well as for removing barriers to investment and private sector collaboration in line with the circular economy transition within Indigenous communities.

# 5. Realizing the Vision: Addressing barriers and seizing opportunities

Accelerating a circular economy in North America will require numerous changes in business models, practices, and policies. Circular economy strategies have the potential to deliver deep business value – which in turn incents industry and the private sector to lead, and presents new opportunities for economic renewal, investment attraction, diversification, and job creation. However, changing an established, strong, interconnected system will take time, multi-stakeholder collaboration, and coordination to tackle barriers and leverage the enablers that will drive the demand for and supply of circular economy products and solutions.

### Barriers

A key barrier is the fact that, in many cases, it remains cheaper to continue with the linear economy status quo – in large part due to a failure to recognize existing economic and environmental externalities currently borne by society (e.g., the cost of pollution, health care impacts, etc.). This, in turn, impacts the demand for circular products and solutions and deters investment. Some of the additional barriers and opportunities for advancing the circular economy are shown in Figure 5, identified as part of a workshop on advancing the circular economy in Canada in February 2020 with more than 100 sector experts and stakeholders.



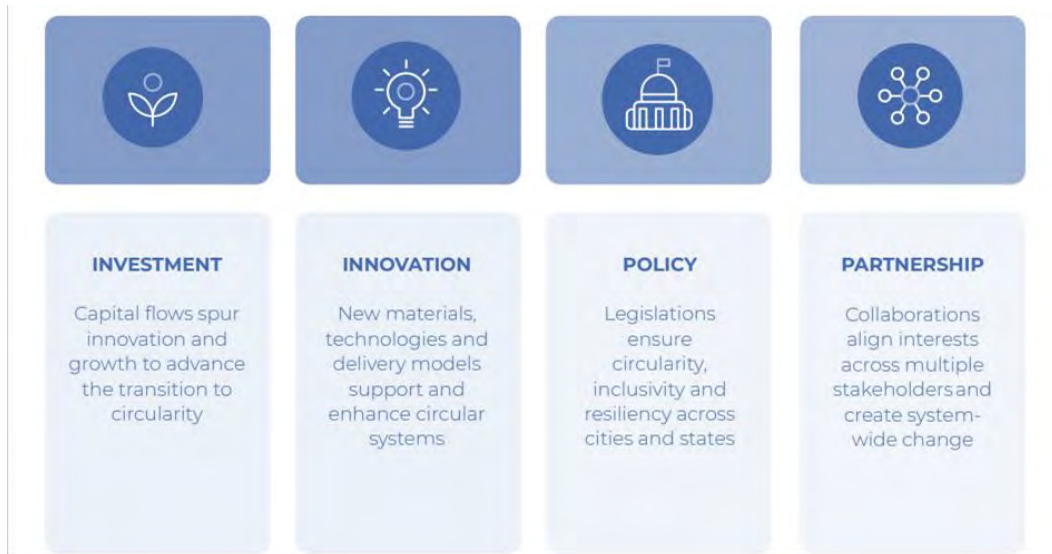
Source: GLOBE 2020 Advance Workshop on Advancing a Circular Economy in Canada<sup>41</sup>

**Figure 5:** Top barriers and opportunities for advancing the circular economy in Canada.

The challenges highlighted above support findings from studies published in Canada, the U.S., and Mexico that speak to the need for more policy support and harmonization; investments in technology, infrastructure, and innovation; and greater collaboration and information sharing.<sup>42</sup>

## Four Key Drivers

Closed Loop Partners identifies four important drivers for the circular economy in North America: partnerships, policy, innovation, and investment (as illustrated in Figure 6). A focus on these four drivers can support an accelerated transition for North America, enabling opportunities and helping to achieve the vision. Each driver is explored in more detail below.



Source: Closed Loop Partners<sup>43</sup>

**Figure 6:** Four key drivers for the circular economy in North America.

## 5.1 Partnership

### *Cross-sector, Cross-jurisdictional Collaboration*

Given the systems thinking required for the transition to a circular economy, circular economy leaders must adopt an integrated approach that involves multi-stakeholder, multi-government and cross-sectoral partnerships and cooperation.

Countries in North America have a long history of strong, transboundary cooperation. This presents new opportunities for collaboration across industries and supply chains, particularly for cross-border trade within resource-intensive sectors. Opportunities include:

- Expanded supply chains for renewable feedstock and a wider range of high-value, bio-based materials;
- Advancing industrial symbiosis and waste-to-resource connections for secondary material streams, including remanufacturing hubs, eco-industrial parks, and supporting material marketplaces similar to efforts going on in the Great Lakes Region and elsewhere;
- Technology, policy, and knowledge sharing partnerships between cities and states / provinces / territories, and in line with existing initiatives such as the Cascadia Innovation Corridor, that involves West coast states in the U.S. and British Columbia.

The circular economy transition will likely introduce structural changes to the economy and impact trade flows. Import and export demand for primary materials, secondary materials, and waste may increase or decrease and may also bring new opportunities for trade in services.<sup>44</sup>



It will be important to address current trade barriers that impede the circular economy. At present, the movement of materials and waste (resources) across North America and at the broader global level creates significant challenges with respect to their tracking and management, especially those containing chemicals of concern, and underscores the need for collaboration and harmonization, as well as support for the infrastructure that enables reverse logistics. Other trade related issues include: the classification of reclaimed / recycled materials, transactional costs, permitting processes, and restrictions within existing trade policies and multilateral environmental agreements (such as the Basel Convention and Canada-United States-Mexico Agreement).<sup>45</sup>

### ***Education and Workforce Development***

Embedding circular systems thinking in line with the 9R framework into curriculum and skills training from primary school levels through to higher education will sensitize populations, support circular innovation, and begin to shift consumer behaviour. For example, industrial ecology courses offered in the U.S. and, recently in Canada, can provide the foundation for circular innovation, as can courses in systems thinking, material flow analysis, life cycle assessment, reverse logistics, and biomimicry design. Post-secondary institutions can develop best in class programs and leverage their campuses for experimentation and learning using a 'living labs' model.

Indigenous partnerships and collaboration can bring new opportunities to learn from traditional knowledge and principles that can enhance regional resiliency and sustainability. Applying a 'just transition' lens to workforce and skills development can help generate new entrepreneurship opportunities for diverse populations while also putting people to work helping to build a more resilient economy that is less susceptible to commodity, resource, and supply chain disruptions.

### ***Better Access to Information, Data, and Metrics***

Informed consumers have the potential to drive the demand for circular products and services. However, they lack access to information or a common set of metrics and indicators on which to base decisions. Developing an eco-label that includes a product's circular 'footprint' and related information could help support consumer education in this regard. Developing and harmonizing standards and approaches to measurement and monitoring across North American jurisdictions is essential, as well as addressing data 'siloes' and integrating new metrics that measure diversity and ensure an inclusive circular economy for all North Americans. Improved metrics and data collection can also help to better track the movement and flow of materials and resources and understand our circularity gap (see **case study on CircularID** in Appendix A). Metrics and data can also help regulators track and integrate economic and environmental externalities into regulatory frameworks to change business models.

Efforts are underway to develop better metrics for measuring circularity, including initiatives by the International Organization for Standardization (ISO), Ellen MacArthur Foundation, the World Business Council for Sustainable Development (WBCSD), and the Global Reporting Initiative.<sup>46</sup> An opportunity exists to integrate circularity metrics with established climate and environment, social, and governance (ESG) reporting frameworks and accounting standards, such as the CDP for Cities reporting framework. Language and vocabulary also need alignment, ensuring that circular economy concepts, terminology, and best practice case studies are accessible to all stakeholders and can build bridges that support further cross-border collaboration.

## 5.2 Policy

There is an important role for governments in enabling and accelerating circular economy models – reports by organizations such as the WBCSD and Smart Prosperity Institute outline many of the key policy enablers.<sup>47</sup> Leading jurisdictions in North America and globally are implementing policies to support a government “pull” for the circular economy, including a mix of regulations, robust economic instruments, and circular public procurement with key objectives to drive resource efficiency and encourage a shift toward higher levels of the 9R circular economy resource hierarchy.<sup>48</sup>

### *Regulation*

Regulations applied in regions across North America have historically focused on reducing risks to human health or the environment from harmful substances, reducing pollution, controlling hazardous waste, and expanding EPR programs which shift the management and financial burden of products and materials at their end of life back to industry.

Regulations such as EPR should be expanded, and harmonized across sub-national jurisdictions, to support the circular transition. However, the policy agenda for the circular economy in North America to date has focused too narrowly on waste management and recycling. The circular economy requires a broader lens, going beyond traditional recycling to focus on the management of resources to regenerate natural systems, eliminate harmful chemicals, and keep materials and products recirculating in the economy at their highest utility and value for as long as possible. Regulation should foster and incentivize business models that enable this transition.

Regulations are also needed in areas that focus on promoting “circular” product design in recognition of the significant percentage of a product’s environmental impact that is determined at the design stage. These should consider the full lifecycle of products, including the second use phase, take-back systems, design for disassembly, reparability, reusability, and recyclability. Regulations can also include targets for recycled content in products and packaging. With design specifications for many companies and manufacturers originating in North America, the potential for dematerialization and scaling circular solutions (e.g., designing products that can be remade again in the future) represents a significant opportunity.

### *Economic Instruments*

Economic policy instruments can help to ‘tilt the playing field’ in favour of non-virgin materials and incentivize circular business models. These include:

- Taxes and fees for waste disposal (both landfill and incineration), which incentivize both waste prevention and increased waste recovery.
- Differentiated pricing for different materials going to landfill and varying volumes of waste (for instance, higher prices for materials that cost more to manage or have a high recycling potential).
- Product taxes and fees to discourage the exclusive use of virgin materials and products such as single-use plastics.
- Tax incentives on secondary and recycled materials to encourage more repair, reuse, refurbishment / remanufacturing, and recycling activities.<sup>49</sup>

### *Procurement and Decision-Making Tools*

Procurement is an important policy tool and driver for circular products and solutions, which in turn can help drive consumer shifts and create demand for circular products and solutions. Public procurement refers to the process by which public authorities, such as government departments, regional and local

authorities, or bodies governed by public law, purchase works, goods, or services from companies. In Canada alone, CAD 200 billion is spent annually through public procurement.

Different models exist that consider circular procurement criteria and eco-design requirements to increase the potential for durability, resource efficiency, reuse, recyclability, refurbishment / remanufacturing, and/or the potential to buy recycled.<sup>50</sup> Models vary at the product, supplier, and system levels (see Figure 7).

1. System level	2. Supplier Level	3. Product
→ Product service system	→ Supplier take-back system	→ Materials in the product can be identified
→ Public Private Partnership	→ Design to disassembly	→ Products can be disassembled after use
→ Cooperation with other organisations on sharing and reuse	→ Reparability of standard products	→ Recyclable materials
→ Rent/lease	→ External reuse/ sale of products	→ Resource efficiency and Total Cost of Ownership
→ Supplier take-back systems including reuse, recycling, refurbishment and remanufacturing	→ Internal reuse of products	→ Recycled materials

Source: European Commission’s Public Procurement for a Circular Economy Guide.<sup>51</sup>

**Figure 7:** Circular procurement models.

**Importance of Harmonized Policy**

Regional contexts will create different opportunities, as well as challenges, and will not respond equally to the same policies. Policy that meets government objectives while enabling companies to work together effectively will be important to accelerating the transition to circularity in North America. In Europe, for example, the Green Deal<sup>52</sup> sees countries working with the private sector to test new approaches using policy ‘sandboxes’ as experimentation labs to work across sectors and develop effective policies.

The circular economy should be treated as an economic opportunity and, as such, be integrated into cross-cutting and sectoral policies that drive innovation and investments in key infrastructure. All orders of government can also use the circular economy as an essential model and framework for advancing climate action goals, driving GHG emission reductions, and meeting targets.

It is important to align and harmonize policy approaches as much as possible (between countries and at various orders of government) to avoid a patchwork of actions, which create challenges and uncertainties for business. Harmonization efforts could include:

1. Regulatory cooperation designed to accelerate the circular economy model in North America;
2. Sectoral cooperation, especially in the five key sectors with the largest impact on GHG emissions (i.e., cement, aluminum, steel, plastics, and food) to ensure conformity of assessment methods and certification;
3. Development and use of common international standards to facilitate trade and mitigate potential trade flow impacts; and
4. Rules-based trade that respects international obligations.

## 5.3 Innovation

Innovation comes in different forms, including system, process, organizational, product design, business model, supply chain, technological, and social innovation. It can come from government-funded activities, academia, and/or the business / private sector.

### *Research and Development*

While North America has a well-established innovation ecosystem, more targeted research and support for circular innovation is needed to ensure North America remains competitive with other international jurisdictions. The European Commission, for example, has invested nearly 1 billion euros from its Horizon 2020 Work Programme into research and innovation for circular economy projects and initiatives, with a goal to become a global leader in business model innovation.<sup>53</sup>

Opportunities exist to build on the existing research and development (R&D) infrastructure and programming in governments, universities and colleges, and private institutions. Conventional research programs are increasingly leveraging a ‘living labs’ model, as well as incentivizing industry investment into research clusters and priority areas (e.g., reducing food loss and waste, circular plastics, the built environment, and mining and metals).

### *Technology Innovation*

Technology as it relates to business innovation for the circular economy is a proven enabler – including in the areas of digital solutions, biological sciences, clean technology, and material innovation. Digital technologies, for example, have potential to enable a more circular economy; for instance, in helping transition from ‘physical’ product ownership to product-as-a-service models.<sup>54</sup> Emerging digital and other disruptive technologies, such as artificial intelligence, machine learning, additive manufacturing, and blockchain, can also be applied to solving circularity challenges along the value chain and in areas such as plastics and electronics.<sup>55</sup>

Biological sciences and material innovation can include a focus on biofuels, biopharmaceuticals and biochemicals, textiles, building and construction materials, and nanofibres as examples.

Collaboration across the entire value chain as it relates to technology development (from extraction, to retail, to recovery) is essential. Established incubator and ‘challenge’ models can be leveraged to bring business together with entrepreneurs, technology start-ups, policy makers, academia, and the finance community, building on existing efforts.

As one example, the City of Guelph and County of Wellington, in Ontario, are working to become Canada’s first circular food economy, reimagining an inclusive food-secure ecosystem (see **case study on Guelph-Wellington’s Our Food Future Strategy** in Appendix A). The region’s Our Food Future initiative was developed with funding from Infrastructure Canada’s Smart Cities Challenge and is supported by an open, collaborative governance framework which engages the local community and collaborators as leaders, expert advisors, and delivery partners. As a second example, Canada has launched a series of challenges that focus on plastics innovation<sup>56</sup> (see **case study on the Canada Plastics Innovation Challenges** in Appendix A).

The World Economic Forum has developed its Scale360° Circular Innovation Playbook designed to fast-track fourth industrial revolution (4IR) technology applications to the circular economy by bringing together public and private sector leaders and innovators to further build on existing dynamic local and regional ecosystems for innovation.<sup>57</sup>

## 5.4 Investment

### Financing

There is a need for the finance and investor community to further support the business case for circularity. The U.S. and Canada have considerable financial industries, including a robust angel and venture capital sector in the U.S. that supports the early-stage innovation required for supporting circular economy related projects and technology investments. While the financial system is well-established in Mexico, the country struggles with a poorly functioning credit market that affects investments in large-scale infrastructural projects.<sup>58</sup>

While ESG investments are gaining attention, a gap in capital and financial tools (such as tax credits, low interest loans, and grants) exists across North America for supporting entrepreneurs and companies with circular business model innovation, product and service development and demonstration, and scale up. Currently very few federal financial support programs in North America specifically target the conversion of ideas into marketable solutions for the circular economy.

A new report by the UNEP Finance Initiative has outlined a number of potential financial instruments that can support the circular economy transition, including:

- Green bonds and loans;
- Transition bonds;
- Sustainability ESG linked loans; and
- Circular economy investment funds.<sup>59</sup>

In Europe, the investment community has begun to develop specialized funds for the circular economy. The European Investment Bank, for example, is building on its climate change framework to add circular economy considerations.<sup>60</sup> In the U.S., Blackrock released a USD 950 million circular economy equity fund in 2019.<sup>61</sup>

There is a need to scale more of these types of funds, with the potential to replicate models from the ESG community that have worked well for other sectors and focus areas. In addition, federal government programs and arms-length government agencies, such as the Small Business Innovation Research and Small Business Technology Transfer programs in the U.S., Sustainable Development Technology Canada, and Export Development Canada, could place a greater focus on supporting investments in this space.

Finally, many Indigenous communities in North America struggle with access to financing and large-scale private sector investment. In Canada, for example, Indigenous communities are challenged to gain access to capital beyond government funding due in part to the inability to mortgage assets on reserve lands given underlying title to indigenous reserve lands is held by the federal government. New models and mechanisms are needed, such as Indigenous investment banks, or alternatives to mortgage-based financing, to provide access to capital for these communities.

## **Infrastructure**

As outlined in section 4.4, investments in infrastructure to support the circular economy are essential. Having the right types of infrastructure, in the right geographic locations, will determine whether resources and value can be captured at end of life to use again or whether they are lost through the current linear system (see **case study on the PetStar recycling partnership** in Appendix A).

*Opportunities exist for pandemic-related economic recovery spending to address circular economy infrastructure gaps.*

Critical infrastructure required includes:

- **Recycling and organics processing infrastructure** – including collection, sorting, and processing;
- **Remanufacturing infrastructure** – that support reverse supply chain and logistics for the secondary processing and refurbishment of products and materials;
- **Reuse and repair facilities** – including take-back centres and specialist logistics;
- **Information and communication technologies** – including access to the internet and broadband / wi-fi infrastructure to enable access to ‘digital’ solutions;
- **Green infrastructure and nature-based solutions** – to support low-carbon and regenerative solutions for energy, water, and the supply of other important economic inputs.<sup>62</sup>

While land use and population density are important considerations, having the required capital investments to support the emerging business and reverse supply chain models for closing loops is essential. Further, opportunities exist for pandemic-related economic recovery spending to address circular economy infrastructure gaps.

## 6. Conclusions

The circular economy presents a tremendous opportunity for North America to rethink how resources are used and recaptured, products are designed and repaired, and new services are leveraged to support a resilient economy that rebuilds economic and natural capital, and provides society-wide benefits.

Transitioning to a circular economy does not close doors to international trade, but rather allows more value to be captured from the region's natural resources and materials, reducing losses by keeping these resources circulating longer in the economy, and recapturing their value at the end of a product's lifetime. Safe and environmentally sound circular business models can cultivate innovation, reduce GHG emissions and pollution, address social and environmental inequalities, restore damaged ecosystems, and create more resilient jobs.

While the economic opportunities and potential environmental and social benefits are significant, major challenges must be overcome to accelerate the transition to a circular North America. Factors such as culture, policy, innovation, investment, and collaboration all influence one another. As such, the barriers, drivers, and enablers discussed in this paper must be considered as an interconnected system, rather than separate pillars, when looking to address the challenges and achieve success.

As part of its journey toward a more circular economy, North America has an opportunity to test and refine circular economy assumptions and better understand the untapped benefits, including in cross-border collaboration and trade. It will be important to consider where industry growth is projected within each country, and across the region as a whole, to apply circular thinking to these areas as a priority. It is also important to consider the circular economy from multiple contexts – urban and rural, culture and diversity, and the unique strengths for the North American economy in terms of the primary resource sectors and other key industries.

As a region, an overarching strategy could help to set direction, recognizing that implementation will be shared by many partners and at all levels. There are a number of examples for comprehensive circular economy policy strategies from around the world, as well as a number of more local and regional efforts in North America that can be built on and/or used as a template for broader scale-up.

While moving to a world with minimal waste will be challenging, the current COVID-19 pandemic shows that innovation and collaboration are essential to addressing global crises and that transformation can happen when collective minds are put to the task. The same can apply for the circular economy transition, which, if successful, will create a thriving and resilient low-carbon economy for North America.

# Appendix A: Case Studies

## Industry Partnerships, Collaboration & the Innovation Ecosystem

### REMADE Institute

A cutting-edge clean energy initiative is set to keep U.S. manufacturing competitive while circular. Selected by the U.S. Department of Energy, Rochester Institute of Technology's Golisano Institute for Sustainability (GIS) leads the Reducing Embodied-Energy and Decreasing Emissions (REMADE) Institute. REMADE will leverage USD 70 million in federal funding that is being matched by the equivalent in private cost-share commitments from industry and consortium members. The Institute will look to drive down the cost of technologies that are key to reusing, recycling, recovering, and remanufacturing materials such as metals, polymers, fibers, and electronic waste. The aim is to achieve a 50% improvement in overall efficiency by 2027. These measures could amount to billions of dollars in saved energy costs and improve economic competitiveness through advanced manufacturing techniques and small business opportunities, as well as provide training and jobs for American workers.

The REMADE Institute is dedicated to accelerating the adoption of the circular economy through sustainable manufacturing technologies that deliver concrete, near-term economic and environmental impact. The Institute will facilitate early-stage applied research and development for technologies that address cross-cutting challenges at each stage of material lifecycles and could dramatically reduce the embodied energy and carbon emissions associated with industrial-scale material production and processing. REMADE currently spearheads 39 promising collaborative projects that span the industry from recovering copper and precious metals in electronic waste to incorporating high amounts of recovered rubber materials into tires. Given that manufacturing currently accounts for 25% of U.S. energy consumption, such initiatives to support the development of a non-linear manufacturing ecosystem are critical for our low-carbon future.

[LINK TO MORE INFORMATION](#)

### Great Lakes / St. Lawrence Region Collaboration

Given the high proximity of businesses, intense resource demand and cross-border trade, the Great Lakes and Saint Lawrence Region (GLR) represents an opportune location for a regional circular economy. Collaboration has been paramount in addressing the associated barriers, infrastructure gaps for recycling and reuse, changing consumer behaviour, and necessary innovation. Driving momentum in this regard, the U.S. Chamber of Commerce Foundation and Navigant (a Guidehouse Company) produced a report on "Creating a Circular Economy in the Great Lakes Region." Drawing on available and forecast data, the report provides clear guidelines for companies operating in specific sectors to capitalize on circular principles to unlock competitiveness, innovation and growth. In addition to exploring current technologies, the report features best practices case studies from organizations including Kohler, Steelcase, Whirlpool Corporation, Clearwater Paper, Procter & Gamble, Sappi North America, WestRock, Schnitzer Steel, and Dow. These examples highlight circular leadership from three key materials (steel, plastics, and wood/paper) to galvanize action across sectors.



The binational Council of Great Lakes Region (CGLR) is another organization promoting collaboration and integrating economic and environmental agendas for the region, which is shared by the Canadian provinces of Ontario and Quebec and eight states, from New York to Minnesota. In particular, the CGLR's soon to be announced Great Lakes Circular Economy Partnership, a key element of the organization's Circular Great Lakes program (<https://councilgreatlakesregion.org/circular-great-lakes-program/>), will focus on forging a future without waste in which a binational Great Lakes circular economy thrives. The GLCEP will initially set its sights on tackling plastic materials and the estimated 22 million pounds of plastics that enter the Great Lakes annually by ensuring critical materials are cycled through the regional economy and by facilitating regional projects with an emphasis on circular economy infrastructure, product and packaging innovations, consumer awareness, and capture and clean-up.

Thanks to ECCC funding, early successes that have been started by CGLR include: the launch of the Great Lakes Plastic Cleanup, with Pollution Probe and partners like the University of Toronto Trash Team ([www.greatlakesplasticcleanup.org](http://www.greatlakesplasticcleanup.org)), which employs Seabin and LittaTrap innovative technologies to recover plastic debris along the shorelines of the Great Lakes; and the creation of the Ontario Materials Marketplace Pilot, with the United States Business Council for Sustainable Development (<https://ontario.materialsmarketplace.org>), a facilitated transaction platform bringing businesses together to develop and scale new reuse and recycling market opportunities, not only in Ontario, but also between Ontario and marketplaces in the states of Michigan and Ohio.

[LINK TO MORE INFORMATION](#)

## **Plant Chicago**

Viewing waste as an opportunity at the outset, Plant Chicago sets a remarkable precedent for a closed loop system of food production, material reuse, and energy conservation. Established in 2011, this non-profit organization formed a collaborative community of food production businesses in Chicago's Back of the Yards neighbourhood. The initiative sought to displace linear food supply chains that neglect to utilize by-products, resulting in landfill and economic losses.

Over the eight years supporting The Plant Chicago project, the organization welcomed more than 60,000 people on tours and workshops at its facility and raised over USD 500,000 to support member businesses. By allowing companies to co-locate, as well as providing space and support to develop innovative food system methods, The Plant was able to capture materials from businesses on site. A material flow analysis over a three-month period in 2015 showed that an impressive 42% of the output materials were captured. The community also took steps to collect food waste from nearby industries to produce biogas for use on site, as well as repurpose and capture greater value from by-products. One such example is the spent grain from the brewery is being used as a growing medium for mushrooms. Their regenerative systems approach diverted over 10,000 tons of food waste from landfills annually and curtailed demand for natural gas.

The organization has now expanded its reach, renovating an abandoned firehouse as a center for circular economy programming which promotes a hands-on approach to research, development, and education. The new premises will offer an indoor aquaponic farm, shared mycology lab, and a refurbished center for the local circular economy.

Plant Chicago coordinates educational programming (K-12) and their Local Circular Economy Leaders Network provides support for small businesses interested in collaborating to cultivate the local circular economy. They also coordinate weekly farmers' markets to support local farmers, processors, and small businesses. The initiative is a notable illustration of a community-driven circular approach providing space that generates equity and economic opportunity for local businesses and residents.

[LINK TO MORE INFORMATION](#)

### **Metal Tech Alley: Reinventing Industrial Clusters**

Metal Tech Alley is a circular metals industrial economic development strategy that was launched in 2017. It is underpinned by a cluster of heavy industry and high-technology companies from the West Kootenays region in Southeastern British Columbia – a region with a population of less than 10,000 people. The strategy was developed by the Lower Columbia Initiatives Corporation (LCIC) and builds on the region's unique characteristics and assets, including the community's strengths in metallurgy and technology.

Anchored by one of North America's largest zinc and lead smelting and refining operations (owned by Teck Resources Ltd.) and an ecosystem of innovators and supporting agencies, Metal Tech Alley focused on reposition the region as a circular economy hub with leaders in:

- Metallurgy and advanced materials;
- Industrial recycling;
- Digital fabrication;
- Clean technology; and
- Industrial Internet of Things (IIoT).

Metal Tech Alley is leading the 4IR by building collective partnerships and supporting businesses at all stages. A key part of Metal Tech Alley's progression has been the Selkirk Technology Access Centre or STAC (formerly known as the MIDAS Fab Lab), a public-private enterprise started by the Kootenay Association for Science and Technology (a non-profit regional organization dedicated to the technology sector), Teck Resources, and Fenix Advanced Materials (a private company experienced in the commercialization of metallurgical industry by-products). STAC supports academic research and partnership development, business incubation services, and offers a dual sector fabrication lab and equipment in metallurgy and advanced / digital manufacturing.

Picking up where STAC leaves off, a recent addition to Metal Tech Alley is I4C, an international IIoT hub and a production and testing facility. I4C supports early-stage IIoT qualified companies in research and development, light fabrication, commercialization, and/or distribution.

A great success of the initiative has been bringing together municipalities and businesses from the entire region around a common vision and consistent messaging. By unifying the message, the whole area is able to promote an overall vision focused on circular economy, with greater impact than any one locale could have on its own.

[LINK TO MORE INFORMATION](#)

## **ECOCE Uniting Recycling Efforts in Mexico**

Ecología y Compromiso Empresarial (ECOCE) is a non-profit environmental civil association, created and sponsored by the consumer products industry (food and beverage) for the proper management of packaging and packaging waste in Mexico. ECOCE administers the National Plan for the Recovery of Post-consumer Containers and Packaging Waste (one of the twelve waste management plans, registered with the Ministry of the Environment and Natural Resources). The organization is made up of industrial groups that represent more than 300 brands of products such as soft drinks, mineral waters, purified waters, sports drinks, juices, sauces, dressings, condiments, and food.

ECOCE is focused on uniting efforts of the private sector, governments, and civil society to raise awareness, individually and collectively, to prevent the improper disposal and special handling of waste and materials, and to take advantage of the benefits from recycling. It does this through environmental education programs, communication campaigns, clean-up days, and informational events. Through the support of ECOCE's programs and initiatives, Mexico has become a global leader in the recycling of polyethylene terephthalate (PET).

[LINK TO MORE INFORMATION](#)

## **U.S. & Canada Plastics Pacts**

Collective action, exemplified in national plastics pacts, is decisive to accelerate the transition towards a circular economy for plastics. The U.S. Plastics Pact brings together public-private stakeholders across the plastics value chain in a move to rethink how plastics are designed, produced, used, recovered, and reused. Recognizing that efforts must go beyond individual action, the U.S. Plastics Pact draws corporations, government, non-governmental organizations, and academia in a platform for industry-led innovation. Stakeholders can collectively meet impactful goals to advance plastic packaging to become reusable, recyclable, or compostable by 2025, as outlined in the Ellen MacArthur Foundation's New Plastics Economy Initiative. More than 60 activators across the supply and plastics manufacturing chain have already joined the U.S. Plastics Pact under the leadership of The Recycling Partnership, World Wildlife Fund, and the Ellen MacArthur Foundation. This signals a clear indication of the support for meaningful action on climate change as well as prevention of marine debris and waste management.

The Canada Plastics Pact will similarly align and mobilize national businesses, government, non-governmental organizations, and civil society with a goal to decouple waste and pollution from a thriving Canadian economy. Launching in the fall 2020, the initiative is working towards the same unified vision of a circular economy for plastics by innovating to ensure necessary plastics are reusable, recyclable, or compostable, and recirculating plastics through the economy. The pact aims to amplify expertise and capacity of Canadian stakeholders across the packaging value chain to ignite an industry-wide transformation towards circularity.

[LINK TO MORE INFORMATION \(U.S. Pact\)](#) and [LINK TO MORE INFORMATION \(Canada Pact\)](#)

## **The Canadian Plastics Innovation Challenges**

The Canadian Plastics Innovation Challenges (CPIC) are part of Canada's comprehensive approach to addressing plastic waste and pollution, an approach that works to keep plastics in the economy and out of the environment. As part of the Innovative Solutions Canada program, the CPIC provides funding to small and medium-sized enterprises to incent the development of technology to address plastic waste. Through this program, the Canadian government is investing nearly CAD 19 million to support Canadian innovators to develop solutions for plastics challenges by providing winners with up to CAD 150,000 to develop a proof of concept and subsequently up to CAD 1,000,000 to develop a prototype if selected. CPIC Phase 2 winners GreenMantra (recycled and sustainable polystyrene insulation from construction waste), MgO Systems (technology to divert waste PVC from landfills and produce new insulating materials), and Axipolymer (an innovative recyclable multi-layer film for food packaging that reduces plastic waste) were selected to receive up to CAD 1,000,000 each to develop a prototype of their technology. As well, Bioplastics Challenges are seeking improvements to the compostability of such products as coffee pods and home insulation.

[LINK TO MORE INFORMATION](#)

## **Québec Innovation Ecosystem**

Quebec provides a compelling example of how to foster a circular economy ecosystem by incorporating information sharing, capacity building, cross-sector collaboration, and supportive public policy. Québec Circulaire is a flagship initiative of the Pôle québécois de concertation, a voluntary group working to accelerate the transition to the circular economy in Quebec. Their mission is to bring together previously dispersed initiatives, tools, and expertise into one resilient, expanding platform. This knowledge ecosystem acts as a real social network, supporting projects and multi-actor cooperation in the region. Québec Circulaire has also joined the international network of collaborative platforms for the circular economy, which unites over 10,000 members and promotes nearly 1,000 projects. Integrated into a global network that is poised to grow, the Quebec platform represents a promising collaborative tool to encourage dialogue and action. As work has largely been carried out in French with francophone networks, their experience remains to be transferred to the rest of North America.

In keeping with Québec Circulaire's synergistic approach, the province has integrated circular economy strategies into its legislation with a range of legislative and taxation tools to facilitate a circular economy transition. Public support has enabled studies to better understand the circular economy in a Quebec context. Additionally, there is a community for industrial symbiosis projects in the region. Synergie Québec provides a network for industrial symbiosis projects in which strategic clusters of businesses exchange resources, waste, water, energy, and innovations.

[LINK TO MORE INFORMATION](#)

## **National Industrial Symbiosis Program (NISP) Canada**

Between 2017 and 2019, two 20-month National Industrial Symbiosis Program (NISP®) pilots were carried out in the Metro Vancouver and Greater Edmonton regions, including 12 workshops (2 in each region). The pilots were run as programs of Light House Sustainable Building Centre, a Vancouver-based not-for-profit, supported by International Synergies Ltd., the UK-based creators of NISP® – a model that has now been used in over 35 countries around the world.

The principle behind industrial symbiosis is quite simple; instead of being thrown away or destroyed, surplus resources generated by an industrial process are captured then redirected for use as a 'new' input into another process by one or more other companies, providing a mutual benefit or symbiosis. Industrial symbiosis evolved as a theoretical mean to achieve better environmental performance, but has proven to be a key practical mean for shifting businesses to a low carbon, circular economy.

As of June 2019, the NISP® Canada Pilot programs engaged more than 500 participants and organizations and resulted in:

- More than 1,900 specific resources discussed, and more than 3,500 resource matches (or 'synergies') made;
- CAD 6.3 million in direct economic impact (cost savings) to participating businesses;
- 23,800 tonnes of carbon dioxide equivalent emissions avoided (equivalent to more than 5,000 passenger vehicles driven for one year); and
- 253,800 tonnes of waste diverted from landfill.

The NISP® Canada pilots were funded by public sector agencies including: Western Economic Diversification, Metro Vancouver, the City of Edmonton, City of Surrey, City of New Westminster, Innovate BC, BC Ministry of Energy and Mines, BC Ministry of Agriculture, and BC Citizen Services and Community Development (now BC Municipal Affairs and Housing). The NISP® Canada pilots have achieved an initial 7:1 return on government investment to date based on the CAD 1 million invested by partners.

[LINK TO MORE INFORMATION](#)

## Local Government & Circular Policy Initiatives

### Circular Charlotte

The City of Charlotte, North Carolina, is setting the pace as the first American city to make a commitment to adopt the circular economy as a public sector strategy. 'Circular Charlotte' explores how Charlotte can successfully move on its journey towards achieving this bold ambition while achieving economic mobility. Charlotte's current 900,000 tons of annual waste represent a residual value of approximately USD 111 million per year. Motivated to address poverty and economic opportunity, Charlotte is adopting a comprehensive waste diversion strategy that could create more than 2,000 jobs while harnessing material that would otherwise be disposed as landfill. Co-created with stakeholders, the city has set a precedent to analyze its waste streams and address key issues impacting the entire city, namely economic and social mobility, as well as develop a roadmap that works for its citizens. The expectation is that Circular Charlotte will help revive the area and establish Charlotte as an epicenter for communities to learn how to recreate and innovate. This lays the groundwork for Charlotte's circular transition and advances it towards its aspiration as a zero waste and inclusive city.

[LINK TO MORE INFORMATION](#)

## **City of Toronto Circular Procurement**

The City of Toronto, Ontario, is demonstrating how to accelerate systemic change and drive market innovation through public purchasing power. Toronto's annual purchasing contracts amount to approximately CAD 2 billion, which can be leveraged to drive waste reduction and deliver economic and social benefits. The city's Circular Economy Procurement Implementation Plan and Framework is doing just that as it pushes for zero waste in the city through a circular approach. In 2016, the City Council approved the Long-term Waste Management Strategy and formed a Cross-Divisional Circular Economy Working Group to develop a strategy for City procurement to drive waste diversion. The Framework outlines the city's circular economy procurement objectives as well as identifying numerous opportunities to leverage the city's buying power. Drawing on CAD 1.8 million in funding, the initiative may be implemented across target sectors including food and catering, waste management, textiles and clothing, information and technology, and construction and engineering.

[LINK TO MORE INFORMATION](#)

## **Reimagine Phoenix Strategy**

Leveraging participation in the circular economy, the City of Phoenix, Arizona, is working toward a concrete goal to create zero waste by 2050. Reimagine Phoenix is the city's initiative to divert 40% of its waste from landfills by 2020 and to better manage its solid waste resources going forward. More than a million tons of solid waste enters the city's landfill annually. To achieve its Zero Waste target, the city is supporting the transition to a circular economy and encouraging the retail industry to provide products that are either 100% recyclable or able to be repurposed at end of life. It is also centering considerable effort around recycling with the expansion of its current recycling program and by incubating local businesses to capture new products from the waste stream. Phoenix's Public Works Department offers solid waste programs to make waste diversion more convenient for residents and supports public-private partnerships to find solutions to sustainability issues.

The new Resource Innovation Campus and Compost Facility are concrete steps in this regard. In addition, the city's Zero Waste team provides education and community outreach to increase awareness of the importance of waste diversion and management. In parallel, Phoenix is addressing the 34,000 tons of palm fronds that find their way to the municipal landfill every year. Through a partnership with Palm Silage, a process has been developed to transform palm fronds into an ingredient for livestock feed. By looping back by-products and waste materials to create highly nutritious feed, Palm Silage not only creates a new \$10 million revenue business but also helps lower municipality disposal costs and has created local jobs. These measures are beginning to yield results. The waste diversion rate in Phoenix was at 20% in 2015 but reached 36% as of June 2019 and is expected to continue rising.

[LINK TO MORE INFORMATION](#)

## **New York City's #WearNext Initiative**

New York City's #WearNext collaborative campaign draws on expertise from the Ellen MacArthur Foundation's Make Fashion Circular initiative, fashion brands, recyclers, collectors, the New York City Department of Sanitation, and the New York City Economic Development Corporation to save the metropolis' clothes from landfill. This citywide effort has far reach considering 200 million pounds of

clothing end up in city landfills annually and the disposal of residential waste alone costs New York residents USD 300 million per year.

An online map created by the New York City Department of Sanitation lays out over 1,100 collection points across the city where New Yorkers can take unwanted clothes. Compared to the same time period in 2018, collection volumes have increased by 583 tons across a number of city collection points. Residents are not only able to drop off clothing at stores and other collection points, they are also encouraged to participate fully in a circular economy by donating, repairing, reselling or exchanging old clothes to extend their lifecycle. #WearNext has been successful in raising awareness about New York City's existing clothing collection infrastructure and indicates the potential of a circular economy for fashion and textiles.

[LINK TO MORE INFORMATION](#)

### **Guelph-Wellington's Our Food Future Strategy**

Guelph-Wellington is working to become Canada's first circular food economy, reimagining an inclusive food-secure ecosystem that increases access to affordable, nutritious food by 50%, where 50 new circular businesses and collaborations are created, and where circular economic benefit is increased by 50% by unlocking the value of waste: 50x50x50 by 2025.

Our Food Future is a system-level change initiative with nine Pathfinder Projects integrated into three work streams and enabled by data, technology, and engagement strategies. Through Grow Back Better: Our Food Future's 10-point recovery plan in response to COVID-19, Our Food Future has been able to infuse CAD 1.6 million into the community to address a number of the system-level challenges that COVID-19 highlighted or exacerbated. A Smart City Office serves as the locus of control and coordinating body for implementation.

The City of Guelph and County of Wellington provide oversight and coordination of the initiative, including Grow Back Better, which is supported by an open, collaborative governance framework which engages the local community and collaborators as leaders, expert advisors, and delivery partners. The vision for Our Food Future was developed as part of Infrastructure Canada's Smart Cities Challenge, from which Guelph-Wellington was awarded a CAD 10 million prize.

[LINK TO MORE INFORMATION](#)

## **Corporate Leadership & Innovative Business Models**

### **Algramo**

Algramo demonstrates how innovators can design to meet increasing demand for convenient, economical, and waste-free customer solutions. This Chilean startup created a refillable dispensing system replacing single-use plastic sachets. Algramo was founded in 2012 based on a binary social and environmental mission. Algramo founder Jose Manuel Moller set out to address prohibitive prices and poverty tax impacting millions of low-resource families by allowing them to access their required amount of product without single-use packaging. In partnership with small business owners, Algramo gives consumers a superior option for acquiring cleaning products. Algramo's unique refillable

packaging system enables families to purchase the exact quantity of products they need at bulk prices. It then recycles packaging at the end of life into new plastic feedstock. Algramo, which translates to "by the gram," integrates several circular principles such as refill, reuse, and optimized reverse logistics. The company recognizes that smart reusable packaging can help minimize the amount of waste created from other single-use options. Algramo not only makes the sustainable option cheaper but also more equitable and convenient. Further, brands who sell through the Algramo system can expect to see significant cost benefits from reduced packaging and optimized logistics.

Algramo now operates in over 2,000 stores in Santiago, reaching roughly 350,000 customers. It recently expanded to the U.S. where their smart refill model will supply affordable cleaning products without waste in New York City. In partnership with Closed Loop Partners, Algramo launched refill vending machine pilots across New York, dispensing cleaning products, including Clorox Splash-less Cleaning Bleach and Pine-Sol Multi-Surface Cleaner, Softsoap Liquid Hand Soap from Colgate-Palmolive Company, and hand sanitizer from EcoLogic Solutions. The company was selected to join Newlab's Circular City Studio that empowers urban tech startups to create an equitable, livable, and resilient New York. The ongoing aim is to ensure that this business model is applied in a way that is cost competitive, optimizes customer experience, easily integrates into small businesses, and accelerates systems change.

[LINK TO MORE INFORMATION](#)

## **Unbuilders Deconstruction**

Vancouver-based Unbuilders Deconstruction takes apart structures across Metro Vancouver and on Vancouver Island, salvaging materials for reuse, recycling, and upcycling. By 'unbuilding' homes by hand, the company can reclaim most items, including old growth lumber, doors, cabinets, wood frames, windows, fixtures, and appliances. This ensures that 90% of the lumber in a home is salvaged. Unbuilders waste minimization rates are a testament to their proficiency. Their projects yield less than 5% waste on average and they hold the City of Vancouver's record, salvaging and recycling a rate of 99% on a single-family home. This means that Unbuilders can divert 50 tons of waste and salvage 10 tons of lumber on a single project. The layer-by-layer disassembly is followed by upcycling materials into the supply chain.

As the bulk of wood is donated to Habitat for Humanity, Unbuilders' clients receive a tax receipt for the entire value of the wood package, which can amount to thousands of dollars. Corneil also operates a separate company, Naturally Crafted, which capitalizes on reclaimed wood for use in home building and furniture. Depending on the project, wood salvaged during demolition loops straight back in during the rebuilding process on site.

The Unbuilders' circular vision of construction, in which deconstruction and remanufacturing displace demolition and disposal, has a vast reach. The demolition industry generates millions of tons of waste in Canada annually, 37% of which is valuable lumber. A standard home weighs close to 50 tons and far too often usable resources are discarded at the expense of customers. Companies addressing this issue now have support of Vancouver's recent Green Demolition bylaw. The rule requires 75% of the materials be recycled in homes built before 1950, representing approximately 70% of home demolitions. This is expected to divert 18,000 tons of wood and building material from landfills annually and signals a move towards sustainable innovation in the industry.

[LINK TO MORE INFORMATION](#)



## **Eon's CircularID**

A fashion-forward example of powering connected and circular commerce, CircularID™ is designed to promote circularity through a new standard on communicating fashion product information. Motivated to unlock a network for circular commerce and new revenue streams, New York software startup Eon established the CircularID Initiative in 2018. It connects global brands, products, customers, and partners across the entire product lifecycle. The CircularID Protocol notes essential product and material data and ensures this information remains accessible. Likened to a food nutrition label, CircularID provides a unique digital identity at production, building on traditional garment tags by displaying details such as brand, price, dye process, and recycling instructions. A log, known as the “passport,” captures interaction data during the product’s lifecycle. The digital ID is permanently linked to the product through technologies such as radio-frequency identification, near field communication, quick response code, or universal product code barcode. The protocol covers the continuous flow of the product through commercial business functions such as resale and rental, as well as disassembly and recycling.

Today’s fashion industry is primarily characterized by a linear path of production through to consumption and waste with less than 1% of clothing being recycled into new clothing. Using the CircularID system, data is accessible to stakeholders throughout the fashion ecosystem which allows garments to circulate with maximum value retained for as long as possible before looping back through reuse or recycling.

H&M, Target, PVH Corp, Microsoft, Waste Management, and others have collaborated with Eon to power this profitable, circular model. CircularID encourages brands to consider the future recycling and re-commercing of their fashion products. It can help scale rental, resale, digital wardrobing, peer-to-peer exchange, styling services, reuse and recycling, and could have a noticeable impact on fast fashion retailers as there is an incentive to produce longer-lasting items and possibly capitalize on future transactions. Together with Microsoft, Eon plans to bring 400 million products online by 2025 through CircularID and Microsoft Azure. This system unlocks data that not only encourages transparency and accountability but also extends product lifecycles and promotes recovery of materials.

[LINK TO MORE INFORMATION](#)

## **PetStar**

At the forefront of innovative recycling partnerships is PetStar, a prominent Mexican company dedicated to collecting and recycling PET containers. Its food grade PET recycling facility is the largest in the world, keeping Mexico’s PET bottles in the recycling loop. This success has been the result of a fruitful alliance initiated by Mexican environmental services business Avangard. The intention was to close the loop by implementing a PET bottle-to-bottle recycling program completely within Mexico and generate a cycle of social, economic, and environmental benefits.

Backed by financial support from the World Bank’s International Finance Corporation, a sophisticated recycling plant was constructed in Toluca, 40 miles west of Mexico City. The 250,000 square foot PetStar plant began operation in 2009 and was capable of recycling 27,000 metric tons of clear food grade resin each year. The plant’s impact was large and, three years later, Coca-Cola invested to double PetStar’s capacity and increase its recycling capability to 130 million pounds of PET annually.

Currently part of the Mexican Coca-Cola Industry, PetStar serves as an inspiring example of the achievements made possible through a circular economy. The company has collected over 84,132 tons of PET bottles and recycles 3,100 million bottles annually, resulting in 1,789 tons of recycled food grade PET resin. Based on circular economy principles, PetStar uses an Inclusive Collection Model, which operates through eight collection plants strategically located throughout Mexico. Their team is rethinking the way waste is managed throughout the value chain and employs technology to value the flow of collected materials to be reincorporated into productive chains. The PetStar Reborn product has been recognized as the first PET recycled resin in the world to achieve Cradle to Cradle certification. This circular approach has helped position Mexico as a leader in PET collection with a rate of 56% and allows for over 53% of their collected bottles to be repurposed into food grade resin.

[LINK TO MORE INFORMATION](#)

# Appendix B: Circular North America Event Summary

## Event Overview & Objectives

In preparation for Canada hosting the WCEF2021, ECCC partnered with the UNEP North America Office to co-convene **Circular North America**, a World Circular Economy Forum side event. The primary objectives were to:

1. Build connections between circular economy stakeholders in North America; and
2. Help shape an action agenda to accelerate the transition to a circular economy in North America.

The side event, which took place on **November 19, 2020**, was facilitated by MIT Solve and gathered over 200 stakeholders for highly interactive discussions that sought to identify challenges and opportunities to advance circularity in a North American context. The main outcomes may inform future activities and initiatives in the lead up to WCEF2021 and beyond.

## Agenda

The 2.5-hour event was held virtually with participants from Canada, the U.S., and Mexico from the public, private, academic, and non-profit sectors. It began with a presentation of the current state of the circular economy in North America and the vision of a circular North America (based on this Discussion Paper). Participants then joined breakout discussion groups of 10-15 people, each focused on one of four key drivers for the circular economy:

1. **Policy** – Legislation and regulation for circularity at the national, state or provincial, and local scale
2. **Innovation** – New technologies, business models, and materials to support circular systems
3. **Investment** – Financing models for the infrastructure required to enable and scale circular approaches
4. **Partnership** – Collaboration to align metrics, sectors, and supply chains towards shared goals

Input was gathered based on the following high-level questions:

- **Breakout 1:** What are the successes and challenges around creating a circular economy in North America?
- **Breakout 2:** What actions or initiatives can move North America towards this vision?

Facilitators and notetakers were assigned to each breakout group, and the outputs are summarized in this Appendix.

# Detailed Summary: Challenges & Key Actions

## Current Challenges for the Circular Economy in North America

Participants identified several challenges to scaling circular solutions more broadly across the region.

Key Challenges to the Circular Economy in North America	
<p><b>1. Lack of awareness / information and standardized definitions for the circular economy</b></p> <ul style="list-style-type: none"> <li>○ There is a broad lack of awareness and understanding of the circular economy and its opportunities and benefits for communities and business.</li> <li>○ Where awareness and understanding exist, the circular economy is still primarily considered to be about waste management and recycling rather than harnessing value.</li> <li>○ The lack of standardized definitions, information and data creates challenges for cross-border collaboration.</li> <li>○ Consumers often perceive recycled products to be of lower quality and reliability, and higher cost, which limits demand for circular products.</li> </ul>	
<p><b>2. Cost challenges of the circular economy versus the linear status quo</b></p> <ul style="list-style-type: none"> <li>○ The current linear system does not assess the real costs of consumption (real costs currently include externalities borne by society).</li> <li>○ The extraction and use of virgin materials / resources is often subsidized, and/or they cost less than secondary materials.</li> <li>○ There are disincentives for businesses to design and produce circular products, services, and business models.</li> </ul>	
<p><b>3. Misaligned policies, incentives, and market signals</b></p> <ul style="list-style-type: none"> <li>○ Current policy, legal, and regulatory frameworks as well as incentives for business development are not aligned with circular economy principles.</li> <li>○ Most companies are not responsible for their products at end of life, and are not incentivized to consider their environmental impact.</li> <li>○ Access to capital to commercialize and scale up circular economy solutions is often lacking. Furthermore, there are often conflicting market signals, with the interests of short-term investors misaligned with the long-term investment required for the circular economy transition.</li> </ul>	
<p><b>4. Fragmentation across industries and sectors, including lack of policy harmonization</b></p> <ul style="list-style-type: none"> <li>○ Many governments and companies operate in siloes (often based on function), which creates barriers for the collaboration and systems approach required to advance circularity.</li> <li>○ Inconsistent policy and regulatory frameworks between jurisdictions creates challenges for business and investment.</li> </ul>	
<p><b>5. Supply chain and jurisdictional issues</b></p> <ul style="list-style-type: none"> <li>○ Supply chains are complex and differ on a sector-by-sector basis, creating structural barriers to the changes required for circularity.</li> <li>○ Ensuring material and feedstock quality, reliability, and affordability within circular supply chains is a challenge for innovation and investment, and can also create legal and intellectual property issues.</li> <li>○ The market for recycled materials is often global, creating challenges for cross-border material flow and jurisdictional control – existing trade frameworks and policies can create further issues.</li> </ul>	

## Key Actions for Moving Toward the Vision for a Circular North America

Participants identified 15 key actions essential to realizing the circular economy vision for North America and accelerating the transition.

### Key Actions for Accelerating the Circular Economy Transition in North America

#### Cross-cutting

##### 1. Developing a guiding vision and strategy

An overarching vision and strategy to guide the circular economy transition is needed for North America.

Key considerations:

- Stakeholders should develop a unifying, common vision that is non-partisan, communicates across varied interests, and helps to break down silos.
- A clear strategic action plan should be based on the vision and include common goals and targets, with supportive and consistent policies that align across all orders of government and across jurisdictions.
- The action plan should:
  - Be tangible yet flexible;
  - Be grounded in a consistent framework;
  - Be transparent to allow people to visualize their pathways and participate;
  - Be measurable with key indicators and reporting mechanisms;
  - Make efforts to ensure the opportunities are accessible to all;
  - Define the roles and responsibilities for government, industry, the public, and other key stakeholders; and
  - Fit the realities for North America (and not just import the European concept).
- Action should start at the local level and roll up to the sub-national and national levels in order to be meaningful and actionable.
- The transition to a circular economy will require patience and the required changes and processes will take time to implement and require political will to persevere.

#### Partnerships & Collaboration

##### 2. Building awareness for the circular economy and showcasing success

Participants stressed the importance of increasing awareness of the circular economy. Key considerations:

- There is a need to build awareness, share information, and educate businesses, investors, governments, and the public on the circular economy, the opportunities, and its benefits.
- Highlighting success stories can create more demand for circular products, services, and practices, demystify opportunities, demonstrate viability beyond the 'eco-niche', drive adoption of circular practices and business models, and enable greater participation.
- Structured education, starting at the elementary level and integrated across disciplines, is important to introduce circularity concepts at an early age and encourage the required behaviour and culture shifts.
- In order to build momentum, gain support / buy-in, and shift behaviour, it is important to get the 'message' right to avoid polarized discussions and encourage safe dialogue amongst diverse actors.
- Key messaging should:
  - Framing an inclusive circular economic development model – one that supports jobs, investment potential, lowering capital costs, risk protection, and profitability.

- Link to sustainable well-being, economic mobility, and a post-pandemic circular recovery.
- Information and education must address negative perceptions that recycled or repaired products are of lower quality or value, as well as mistrust in recycling systems.
- Companies and brands can shift the consumer mind-set that cheap and disposable is better (versus quality through durability and reparability).
- Circular economy product labelling can enable consumer education of a product's environmental or social impact, allowing for comparability and influence purchasing habits. Labels could also provide information on end of life options (including reparability / recyclability).
- Learnings from the circular plastics agenda, which has reached a tipping point, could accelerate the circular economy conversation if applied to other sectors.

### **3. Improving communication and collaboration platforms**

Participants reinforced the importance of collaboration and effective communication as an essential driver of the circular economy in North America. Key considerations:

- Addressing silos at all levels and scales across industry and society is essential, leveraging convenors and developing partnerships wherever possible across the entire value chain of sectors.
- Building trust will allow for exploration of where the sector-wide and cross-sector collaboration opportunities can exist, which includes leveraging pre-competitive partnership and cooperative business models and building out the supportive ecosystems.
- There is a need for improved communication across value chains, as well as between producers and consumers, suppliers and users of resources and materials, governments and industry, and others.
- Establishing common language and definitions for the circular economy across the region will enable better communication of the opportunities, including where to focus investment and resources. Issues around access to information, data, and intellectual property must be addressed.
- There is a need for research and communication on how the circular economy supports the climate agenda to avoid being shut out of the discourse.
- More collaboration between large industry and the start-up community is needed to support the scale up of solutions and connect early-stage innovation with established corporations. Private-public partnerships are also essential to ensure supportive policy frameworks.
- The creation of intermediary and match-making platforms to allow data to be anonymized but usable as a way to get around competition and information sharing related barriers to collaboration are needed, recognizing that different solutions will apply to different sectors and situations. These can build on existing examples in North America such as the National Industrial Symbiosis Program, material marketplaces, and software such as Rheaply.
- Developing a 'circular economy hub' within government (similar to the Clean Growth Hub in Canada) to break down silos and support strategic multi-disciplinary thinking and planning, enabling the systems approach needed for accelerating a circular economy, as well as providing a mechanism for pooling funds to support research and scaling solutions.

### **4. Supporting local communities to champion circular economy**

Participants highlighted the importance of circular economy action at the local community level to showcase success. Key considerations:

- Place-based solutions and local collaboration are critical to building a circular economy. Local communities understand their infrastructure needs and economic context, which can drive the demand for circular infrastructure.
- Circular economy systems are best piloted, optimized, and implemented at the local / regional level and then scaled, in collaboration with other orders of government, to ensure harmonization and to avoid conflicts across jurisdictions.

#### **5. Leveraging leadership and alliances to focus on areas for greatest impact**

Participants stressed the importance of focusing on areas of greatest impact and leveraging leadership and key decision-makers to drive the transition. Key considerations:

- Focus on the biggest issues / challenge areas and the largest sectors (e.g., high GDP sectors such as construction and manufacturing, top 10 cities) as a priority.
- Select potentially high-impact and high-profile areas for success to demonstrate quick wins.
- Focus on champions and decision-makers with the levers of power (e.g., C-suite / senior executives, cities and government leaders, pacts / alliances, etc.) and invest in leadership and tools to support organizational change.

#### **6. Standardizing data collection and improving information sharing**

Participants discussed the need for more standardized information and data collection to increase understanding around circular economy and track progress in North America. Key considerations:

- Accessible, standardized, open data and information are essential to collaboration, including developing centralized data repositories to measure and trace resource usage and material flows.
- Encouraging better transparency and measurability, using standardized key performance indicators and consistent metrics, can help quantify the transition to a circular economy and the return on investment, as well as ensure focus remains on the most important metrics.
- There is a need for better information and data that is harmonized across jurisdictions, which requires oversight bodies to address harmonization issues. A trilateral working group under Canada-United States-Mexico Agreement could be considered in this regard.
- International standards should be adopted where possible to create a consistent framework and allow for measurement and comparability across North America, and avoiding potentially duplicative efforts. For example, a new ISO standard for circular economy will be released in early 2021 for consultation.<sup>1</sup>

### **Policy**

#### **7. Developing supportive policy and regulation**

Participants reinforced the importance of supportive and harmonized policies and regulation for driving the circular transition in North America. Key considerations:

- Government plays a key role as a convenor across sectors and stakeholder groups, as well as in addressing cost challenges and barriers.
- The current patchwork of policies is a barrier to investment and action; establishing governance / oversight bodies to address policy harmonization issues in support of circularity would help. The

<sup>1</sup> <https://www.iso.org/committee/7203984.html>

Commission for Environmental Cooperation and Canadian Council for Ministers of the Environment present opportunities.

- Incentives and regulation can tilt the playing field toward circular economy solutions while also stimulating and encouraging innovation. Policy tools must focus on waste prevention, eliminating unsustainable or harmful products and materials, and creating markets for materials at the end of use.
- Regulatory innovation is needed at all orders of government to reinforce the circular economy transition and send clear market signals. This can be staged through initial voluntary / opt-in measures and incentives, then building in regulation aligned with the desired outcomes for a circular economy.
- A reform of industrial policies and performance-based regulation on materials can promote circularity, drive more innovation, and bring more manufacturing / remanufacturing to North America.
- Some of regulatory tools and options with the greatest potential for driving the circular economy include:
  - Landfill and disposal bans
  - Expanding EPR programs
  - Recycled content targets and standards
  - Right to Repair legislation
- Policies must be iterative and adaptive over the long-term in order to enable transformation.

#### **8. Aligning economic instruments and incentives with circular economy**

Participants stressed the importance of leveraging economic instruments and incentives to drive the circular economy in North America. Key considerations:

- Governments can create economic instruments (e.g., differentiated prices, tax incentives) to facilitate the transition. Carbon pricing mechanisms can also stimulate innovation and drive behaviour change.
- Tax incentives can stimulate investment. For example, Germany and the United Kingdom are offering tax incentives on real estate to attract circular economy companies and manufacturers.
- Incentives should consider new models within the 9R hierarchy, including rental, repair, reuse, and take-back models, which can also support local economic development.
- Incentives should be designed to address legal risks, reducing a company's liability related to managing recycled materials and/or incorporating them into new products.
- Incentives should also be designed to drive change within organizations, such as through performance-based compensation options to drive toward circular economy goals and targets.

#### **9. Leveraging procurement to drive demand**

Participants identified procurement as a key enabler for growing the demand for circular economy products and services. Key considerations:

- Procurement is an important tool for driving demand for circular products and services and can also support the 'build back better' agenda.
- Innovation is needed to move beyond the principle that the lowest cost provides the best value. Procurement must be married with a systemic approach and new metrics to enable circular innovation.
- Buyers should be encouraged to create long-term procurement contracts and set prices with recycled material inputs in order to:
  - Allow recycling companies to have more predictable cash flows
  - Lower the cost of capital to invest in better processes
  - Create more stable economics and reduce the overall cost of products



- Opportunities exist to integrate circular economy targets and metrics (such as recycled content) into industry product labelling and procurement tools (e.g. Electronic Product Environmental Assessment Tool ecolabel) to drive greater demand.

## Innovation

### 10. Leveraging digital / 4IR technology and potentially disruptive solutions

Participants discussed the opportunity to leverage innovative technology to accelerate the transition to a circular economy in North America. Key considerations:

- Emerging digital platforms can support the dematerialization of activities and services; the current pandemic has brought forward new virtual solutions and accelerated this trend.
- Digital and 4IR technologies can support material and resource traceability and chain of custody (e.g., through blockchain technology).
- Emerging circular bioeconomy and biotechnology solutions, including renewable forestry, cellular agriculture, and biomimicry, can reduce toxicity of materials by applying nature-based design principles.

### 11. Addressing the commercialization gap

Participants stressed the importance of addressing the current gap for commercializing and scaling circular economy solutions and technology. Key considerations:

- More investment in science, R&D, and innovation is needed to support transformational technology, including public-private-academic partnerships, centres of excellence, pilot projects, and 'living labs' focused on de-risking innovation, and bringing solutions to scale.
- Dedicated efforts between the public and private sectors are needed to direct capital and address the funding gap for companies looking to commercialize circular innovations and technology – opportunities exist to look to the sustainable finance community for guidance.
- Public procurement of circular economy products, as well as loan programs that support project financing, could support closing the commercialization gap.

### 12. Supporting business model innovation

Participants highlighted the importance of supporting business model innovation to drive the diversity of circular economy opportunities and solutions. Key considerations:

- Businesses across many sectors are adopting new circular business models, including within traditional industries such as forestry, mining, manufacturing, and retail.
- There is a need for more business model innovation, as well as in its adoption / implementation.
- More work with entrepreneurs is needed at the early stage of the innovation cycle (e.g., through incubators and accelerators) providing them with easy entry points into circular economy pathways and business models.
- In the transition to more 'product as a service' models, companies must move from capital to operating expenditures – this shift requires more enabling and support.

## Investment

### 13. Engaging the finance and investment sector to improve access to capital

Participants identified access to capital as a gap for supporting innovation and scaling circular economy solutions and infrastructure more broadly. Key considerations:

- Capital and money play important roles in accelerating the transition to a circular economy – they stimulate action and influence market direction. There is a need to better engage North America's investment sector to improve access to capital / financing and enable innovation.
- The finance and investment sector (including public and private sector players) could launch a circular economy infrastructure fund and/or replicate or scale existing circular economy related funding initiatives (such as BlackRock's Circular Economy Equity Fund and BASF's green bonds) to address current market gaps in North America, including circular economy innovation and business models.
- Opportunities also exist to invest in 'bridge solutions' that serve as an interim pathway to full circularity.

### 14. Addressing supply chain, legal liability, and other investment-related risks

Participants discussed the need to address barriers to circular economy investment. Key considerations:

- Circular economy solutions should have economically viable business models to receive broad interest and uptake, as once financially viable markets exist and risks are addressed, investments will follow.
- In the short-term, businesses are required to invest and/or risk financial losses as they transform their business and operating models. **Legal and liability risks also exist**, for example, companies incorporating recycled content in products assume risks as around the quality and availability of supply.
- Mechanisms for disclosure of a company's circularity practices and risks should be mainstreamed along with other key financial and sustainability metrics, to support investor and insurance industry decision making. These should be incorporated into existing disclosure frameworks (e.g. CDP Cities Disclosure, Sustainability Accounting Standards Board, Task Force on Climate-related Financial Disclosures).
- Banking / lending institutions, the insurance industry, and the legal community should be included in circular economy discussions.

### 15. Investing in reverse logistics systems and circular infrastructure

Participants reinforced the importance of investing in infrastructure solutions to support the circular economy in North America. Key considerations:

- There is a need to invest more in reverse logistics infrastructure (e.g., take-back and EPR systems), incorporating the consumer into the planning for these systems to ensure convenience and **alignment with behavioural norms**. Companies such as H&M and Apple are investing in reverse logistics but there is a need for more public involvement to support the scale up of these systems.
- Opportunities exist to optimize access to materials, inventory, and infrastructure. For example, many cities across North America have under-utilized real estate, such as empty office spaces that could be optimized, aligning with circular economy principles.

## Visual Summary of Key Actions

A visual summary of the key actions is depicted below.



### Cross-cutting

- Develop a guiding vision and strategy



### Partnerships & Collaboration

- Build awareness for the circular economy and showcase success
- Improve communication and collaboration platforms
- Support local communities to champion circular economy
- Leverage leadership and alliances to focus on areas for greatest impact
- Standardize data collection and improve information sharing



### Policy

- Develop supportive policy and regulation
- Align economic instruments and incentives with circular economy
- Leverage procurement to drive demand



### Innovation

- Leverage digital / 4IR technology and potentially disruptive solutions
- Address the commercialization gap
- Support business model innovation



### Investment

- Engage the finance and investment sector to improve access to capital
- Address supply chain, legal liability, and other investment-related risks
- Invest in reverse logistics systems and circular infrastructure

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