

# Circular procurement

## Five scaling opportunities





## ABOUT THIS REPORT

The objective of the report is to stimulate action among policymakers at European and national levels by showing what is needed to further accelerate the scale-up of circular procurement. This report summarises the main messages from more than 30 circular procurement pilots conducted in the Interreg NSR ProCirc project (2018-2023). The report has been developed by Bax & Company based on an analysis of opportunities and barriers for circular procurement experienced in procurement pilots and other activities of the project.

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# ACCELERATE CIRCULARITY THROUGH PROCUREMENT

Big organisations, and in particular public administrations, can substantially contribute to and lead the way towards a circular economy through the implementation of circular procurement policies and practices. Procuring organisations that clearly indicate a vision for circular economy and systematically integrate concrete requirements in their procurements, stimulate businesses to develop their circular products, services, and business models. Circular procurements are also a way to lead by example towards a more resource-efficient economy in front of employees and other stakeholders.

***Circular Procurement considers the whole life-cycle of goods and services, in order to avoid negative environmental impacts and waste creation, and to achieve an overall reduction in the amount of energy and materials consumed.***

***Including circular principles in procurement helps procurers take a more holistic approach to sustainability and accelerate the transition of supply chains to a more circular economy.***

<b>A</b>  <b>Reduce total amount of materials</b>	<b>B</b>  <b>Reduce amount of virgin inputs</b>	<b>C</b>  <b>Extend the useful life</b>	<b>D</b>  <b>Maximise the reusability of a product or component</b>	<b>E</b>  <b>Maximise the reusability or recyclability of materials</b>
A 1 Internal sharing	B 1 Understanding the share of recycled, biobased and virgin materials present	C 1 Extending guarantees	D 1 Design for Disassembly	E 1 Design for recycling
A 2 Renting or peer to peer sharing	B 2 Increasing the amount of recycled content	C 2 Contractual arrangements for maintenance and repair	D 2 Modular design	E 2 Understanding materials
A 3 Reuse, refurbishing or upgrading	B 3 Increasing the amount of biobased content	C 3 Upgradable products	D 3 Standardised design	E 3 Contractual arrangements for take back and recycling
A 4 Minimal use of materials in design		C 4 Design for longevity	D 4 Understanding the internal composition and connections	E 4 Reducing or banning toxicity
A 5 Less waste		C 5 Repairability and maintainability	D 5 Contractual arrangements for take back and reuse	E 5 Biologically degradable / compostable
<b>GOALS AND STRATEGIES FOR CIRCULAR PURCHASERS</b> 		C 6 Modular/change oriented design	D 6 Stimulate circular business models	E 6 Stimulate circular business models
		C 7 Contractual incentives for extension of useful life		
		C 8 Supplier guidance for use optimization		



# THE ROLE OF POLICY FOR PROMOTING CIRCULAR PROCUREMENT PRACTICES

Circular economy can significantly contribute to the net zero emission goals required to halt the climate crisis, but it requires a paradigm shift. Circular economy means a transition from a linear take-make-dispose economy to an economy in which resource use is based on short, circular, and closed-loop material flows.

Recent policy developments contribute to better conditions for using procurement as an accelerator of the circular economy. This includes the adaptations to the EU public procurement directive in 2016, the EU Circular Economy Action Plan (CEAP) of the EU Green Deal from 2021, the Sustainable Products Initiative and the upcoming Regulation on Ecodesign for Sustainable Products (ESPR) and the important explicit ambitions for mandatory Green Public Procurement (GPP) criteria.

Experiments in circular procurement pilots show that although there are opportunities for frontrunners to create ambitious projects, the current policy, strategy, and regulatory environment is not ambitious enough to ensure adoption at scale. To stimulate a quicker acceleration of circular procurement it needs to be addressed from two perspectives:

1. Procurement regulation needs to be upcycled by implementing mandatory minimum circular criteria in tenders, creating space for frontrunners to innovate, and offering capacity building for procurers and suppliers to overcome knowledge gaps of how to use current regulations.
2. Sector-specific regulations are needed to improve circular performance for whole sectors and create standards for how to demonstrate environmental and social impact.

## Barriers to scaling circular procurement<sup>1</sup>

- The focus on lowest price without considering externalities and the full life-cycle impact.
- The limitations of the market to offer circular products, services, solutions, and business models.
- The linear economy preconceptions of organisations, individuals, regulations, and financial systems and lacking awareness of how to move to a circular system.
- Conflicting targets where the circular economy is declared as a vision but not sustained by concrete goals and strategies to ensure its implementation.

<sup>1</sup> Based on ProCirc Procurement Pilots. For more information see: *How to procure circular: lessons from 30 pilots*, Sandberg Et al., 2023, and ProCirc pilot case studies





# FIVE OPPORTUNITIES FOR EUROPEAN POLICY MAKERS TO ACCELERATE CIRCULAR PROCUREMENT UPTAKE

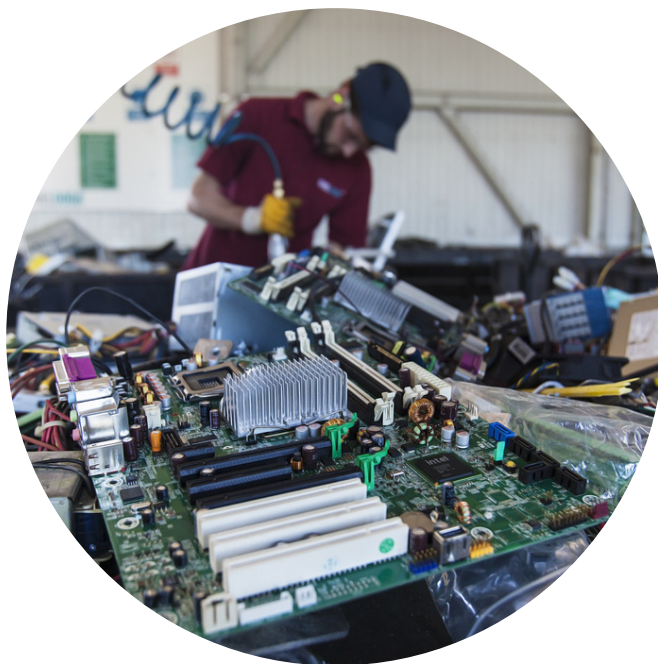
Lessons learned through procurement pilot projects show that although current policy gives room to experiment with circular procurements, the full-scale integration of circular procurement practices is still limited by the dominating linear model visible in value chains, business models, and organisational behaviours.

**Opportunities to accelerate circular procurement exist on five levels:**

- #1 Procurement
- #2 Value chain
- #3 Market
- #4 Organisational
- #5 Global



## #1: Raise the minimum standards for **PROCURING ORGANISATIONS**



Current procurement regulation allows for a variety of circular principles to be included in tender processes and criteria. Most of it is voluntary, limiting the uptake to a small number of ambitious organisations. The low uptake is due to an unwillingness to change practices, a lacking knowledge of how to use current regulations for procuring circular, or conflicting interests between environmental, social, economic, and functional values. The EU Circular Economy Action Plan (CEAP) promises to make sector-specific minimum criteria of the European Commission's Green Public Procurement (GPP) mandatory.

The implementation of the mandatory GPP must take place without delay, starting with high-impact industries such as ICT, construction, and textiles. For instance, obliging tender criteria for ICT equipment to focus on product lifetime extension, battery performance, durability and interoperability of devices. Mandatory GPP is a crucial advancement for scaling circular procurement. Drafts and intermediary approaches should be communicated and encouraged to be used, allowing both public and private organisations to build the necessary capacities to implement the criteria as soon as possible.

***Make GPP and circular principles mandatory and train organisations to be prepared for the implementation.***



## #2: Require circular, social, and environmental minimum criteria throughout the VALUE CHAINS



Sector- or product-specific regulation that defines the minimum standards for circular, social, and environmental performance and impact is of utmost importance for procurers. Standards and regulations that limit the actual impacts, such as a ban on certain chemicals, use of specific materials, and requirements on longevity and reusability, help to raise the bar and make the average product more sustainable. Sector-specific regulation helps procuring organisations to get a common understanding of what they can get, to later define relevant criteria in their tenders. This includes regulations that require producers to provide complete information about their products and value chains (e.g. in mandatory product passports).

It is important that sector- and product-specific regulations consider the whole value chain, taking a life cycle perspective to ensure all impacts are fully identified. New EU initiatives such as the Regulation on Ecodesign for Sustainable Products (ESPR<sup>2</sup>) and the Digital Product Passports as well as the Waste Framework Directive<sup>3</sup> have the potential to address these issues. For procurers it is important that these regulations actively integrate requirements on circular aspects, such as design for reuse and recycle, clean loops, reparability, extended warranty time, and producer responsibility. The delegated acts under the ESPR<sup>4</sup> on product-specific requirements should be implemented without delay.

***Make complete product sustainability information available through sector specific regulations.***

<sup>2</sup> Regulation on Ecodesign for Sustainable Products - COM/2022/140 final

<sup>3</sup> Waste Framework Directive - (EU) 2018/851

<sup>4</sup> Sustainable Products initiative - Proposal 2022





### #3: Incentivise the MARKET to develop circular business models and solutions



For circular procurement to reach scale, the market needs to be ready to supply circular products and services. This can be done by creating a demand that triggers the market to develop new offers. Procuring organisations can stimulate the development of circular market capacity beyond individual procurements by aligning on strategic ambitions for circularity in specific sectors. Another way to strengthen the incentives for the market to offer circular options is to move away from a focus on the lowest price.

Mandatory life-cycle costing (LCC) methods to determine the Most Economically Advantageous Tender (MEAT) are a good option for this. LCC allows for fairer competition for circular suppliers which may have a more expensive end product. Finally, for specific material loops, investments in research and development of circular technologies are still required to increase the capacities of the market to deliver circular solutions.

***Put effective financial instruments in place to give circular suppliers a fair chance.***





## #4: Stimulate ORGANISATIONS and INDIVIDUALS to think circular



The change from a linear to a circular economy is a transformative process. It requires new ways of thinking and new ways of doing things. The regulatory and policy environment needs to set minimum standards, but also encourage organisations to go beyond that, and make sure front-runners still have space to innovate. Capacity-building activities are needed across different types of organisations and all departments to trigger circular thinking. Procurers, managers, lawyers, finance, producers, and distributors all need to understand the concept of circular economy and the conditions required to achieve the system shift.

Increased capacity will help organisations to better address issues such as contract lengths in public procurements and warranty management for repaired and reused products. It also helps them to innovate solutions that link different material loops and economic actors together (e.g. involving social entrepreneurs in upcycling activities within public contracts). To appreciate the potential and benefits of a circular economy, organisations need to understand the impact. Knowledge and tools are needed to understand how to measure impact and monitor progress on indicators such as carbon, waste, virgin materials, biodiversity, etc..

***Invest in circular economy capacity-building efforts for all stakeholders.***

## #5: Ensure GLOBAL and holistic agendas and policy instruments that drives transition



Current linear consumption and production patterns based extraction and processing of natural resources are the predominant contributors to biodiversity loss and water stress, and a significant contributor to climate change. The EU Circular Economy Action Plan (CEAP) is an important step towards a circular economy that significantly reduces this impact. But the impact will only come if implemented at a global scale across sectors and value chains.

Procurement, as an instrument to link strategic goals with operational implementation, has tremendous potential to accelerate this transition. For circular procurement to reach its full potential, circularity needs to be promoted throughout all governance layers. The strategic objectives of a circular economy must be systematically transferred from high-level policy into national strategies, local action plans, and organisational and individual goals.

***Ensure international, national, and local strategies on circular economy are supported by concrete action plans and specific goals.***



# REFERENCE MATERIALS AND OTHER RESOURCES

## ProCirc resources

- Pilot case studies
- Procurement transformation guidance
- Procurement transformation workshop
- How to procure circular: lessons from 30 pilot procurements
- Webinars
  - Future of Furniture
  - The future of ICT: Circular solutions for a post-Covid world
  - Procurement as a Building Block for Circular Construction
  - Online Workshop: Delivering the EU Green Deal through Circular Procurement
  - Practical guidance for procurers and project managers in circular procurement

Access all ProCirc resources on the ProCirc website.

## Consulted reference material

- European Union, (2016) *Buying green! A handbook on green public procurement* ([publication](#)).
- Oppen, Croon, Bijl de Vroe. (2018) *Circular procurement in 8 steps guidebook* ([website](#)).

## EU policy

- **Regulation on Ecodesign for Sustainable Products:**

Communication from the commission to the European Parliament, the council, the European Economic and Social Committee and the Committee of the Regions on making sustainable products the norm. COM/2022/140 final

- **Waste Framework Directive:**

Directive (EU) 2018/851 of the European Parliament and of the Council of 30 May 2018 amending Directive 2008/98/EC on waste (Text with EEA relevance) PE/11/2018/REV/2 OJ L 150, 14.6.2018, p. 109–140 BG, ES, CS, DA, DE, ET, EL, EN, FR, GA, HR, IT, LV, LT, HU, MT, NL, PL, PT, RO, SK, SL, FI, SV)

- **Sustainable Products initiative:**

Proposal for a Regulation of the European Parliament and of the Council establishing a framework for setting ecodesign requirements for sustainable products and repealing Directive 2009/125/EC (Text with EEA relevance) {SEC(2022) 165 final} - {SWD(2022) 81 final} - {SWD(2022) 82 final} - {SWD(2022) 83 final}



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