



Draft version that will form the basis for discussions during and after the series of webinars held in May and June 2020

**Bellagio Declaration
Circular Economy Monitoring Principles
16 October 2020**

We, the [.. who are the persons/organization making the declaration ..] who met in Bellagio, Italy on 16 October, 2020 agree to the following principles in the context of measuring the degree of circularity in the economy.

The transition to a more circular economy – *where the value of products, materials and resources is maintained in the economy for as long as possible* – is the opportunity to develop a sustainable, low carbon, resource efficient, inclusive and competitive economy.

The transition needs to include actions and processes across the economy – be they public or private – in order to capture the full extent of changes happening to the material and waste flows, products and product life cycles, business models, and processes.

Preamble

- Recognizing that a wide range of *definitions of Circular Economy* exist in scientific and policy literature depending on the primary aspect covered in any particular context. As such a set of measurement principles needs to be formulated in a manner that identifies the purpose of the measurement;

- Acknowledging that meeting the broad set of targets embedded in the UN framework of Sustainable Development Goals (SDG) requires a circular approach. As such, the SDGs form an outer boundary of areas to be covered by the principles;
- Recognizing the central role of Circular Economy in the European Green Deal, and furthermore observing that it is seen as an indispensable tool in meeting targets on climate and biodiversity protection;
- Acknowledging that the Green Deal offers a perspective on Circular Economy with a potential for *a just transition* taking into account the distribution of costs and benefits across the economy;
- Recognizing the economic potential linked to innovation and job creation as well as increased competitiveness from a transition to a more Circular Economy;
- Acknowledging that models of Circular Economy may differ across countries and adapt to local circumstances following the subsidiarity principle. Furthermore, recognizing the role of countries in monitoring progress towards Circular Economy as a broad EU aspiration;
- Recognizing the need to involve both sub-state and non-state actors in the tracking of circular economy;
- Acknowledging several ongoing related relevant initiatives at EU and global level and recognizing the need to ensure appropriate synergies.

Principles

“A circular economy is instrumental in delivering our ambitious goal of turning Europe into a climate-neutral continent by 2050, in reducing pollution and in halting biodiversity loss, while reinforcing EU’s sustainable competitiveness and industrial base. The circular economy must become beneficial not just for the front-runners but to all citizens and economic players across value chains, throughout Europe and beyond. The EU can play an important role in establishing the circular economy at the core of achieving the Sustainable Development Goals globally.” (CE Action Plan, 2020)

The transition towards a Circular Economy is thus a process that touches upon all aspects of the economy – both ones internalized directly via prices in the economy, and those that are seen as externalities. As such any monitoring of progress needs to encompass the entire economy, its processes, and its impacts on the surroundings, be that people or nature.

Scope of monitoring

Headline indicator areas – In order to capture the full scope of Circular Economy, monitoring/indicators need to capture:

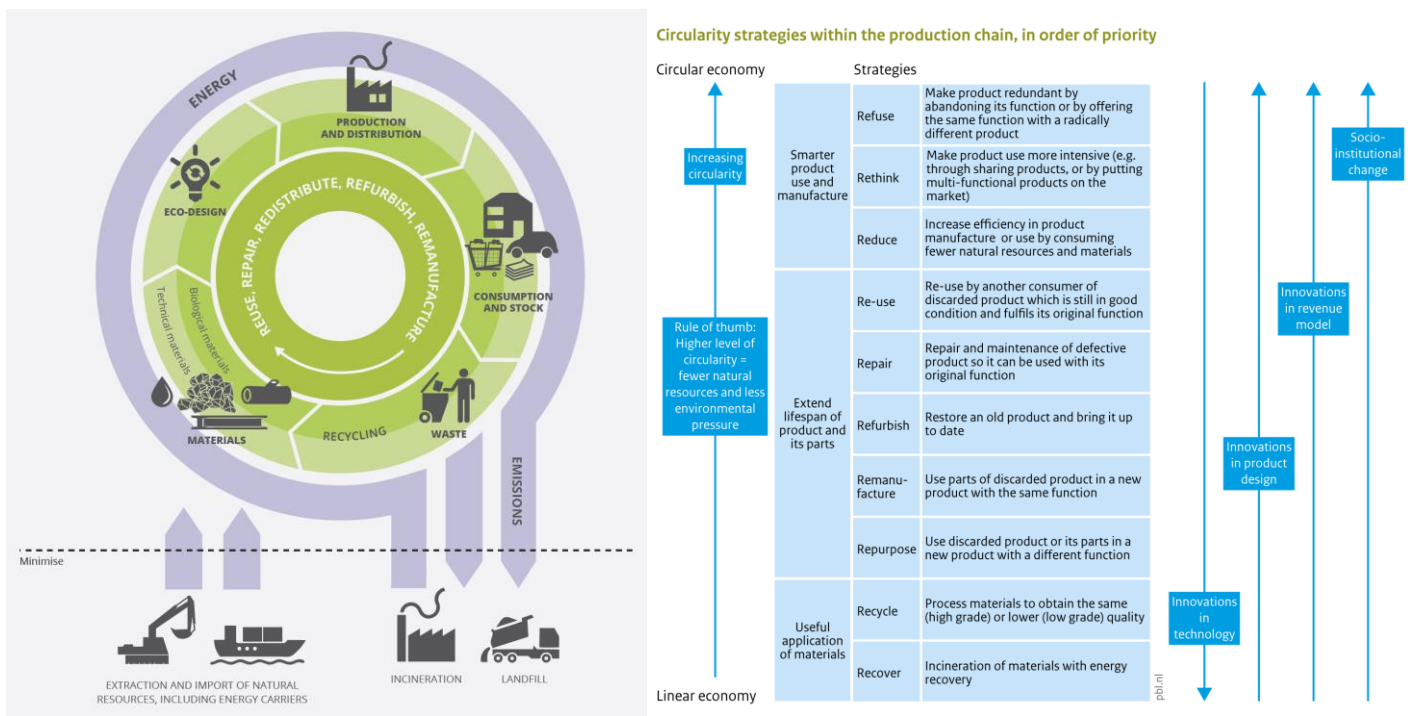
- The scale and effects of actions and flows across the entire economic cycle;
- The effects along the full value chain for material, products, and services;

- The environmental pressure and impacts, including impacts outside Europe’s borders;
- The impact across all pillars of sustainability.

The aim of these principles is to make sure that all key processes are captured as well as to avoid any rebound effects and outsourcing of impact creating processes.

What to monitor

A circular economy is by definition an economy where there is full recirculation of resources and nothing wasted. All outputs from one process is input for another. In reality, a move towards CE entails reducing the intake of virgin materials and reducing the generation waste. Thus, at a macro level the monitoring can be done simply by looking at material input and waste output compared to the amount of ‘stock within the economy’.



In the figure this corresponds to the movements across the dotted line. Material flow indicators serve to describe the overall achievement in terms of ‘closing the loop on material flows’ but are unlikely to be useful in tracking small incremental changes and guide shorter term policy developments. Changes are likely to happen slowly, and these parameters are influenced by other developments such as general economic development. There is therefore a need to look at the processes within the economy, to identify changes in push and pull factors that may facilitate changes that are not yet visible at the macro level.

Such processes include, for example, reuse, repair, refurbishment, redistribution, remanufacturing and recycling. In general, the ‘inner circles’ have the highest potential to contribute to the aims of the circular economy.

The use of process indicators can illustrate how policy action is transferred into market actions at a time where visible results in the material flows are unlikely to be present.

Even more relevant are the environmental impacts generated which should be reduced to close to zero if we are to deliver on the aspiration of the Green Deal. Impacts are generated both during material extraction and disposal but also all other steps in the life-cycle of products and materials, both within Europe and beyond due to trade. In order to properly monitor if circular economy actions actually reduce these impacts, the related pressures and impacts need to be monitored.

As indicators on environmental impacts need to address all steps of the life-cycle of products and materials, footprint-type indicators are most suitable to monitor progress on the objectives of the circular economy.

Specific indicators should also be developed to ensure monitoring and assessing the progress towards decoupling economic growth from resource use and its impacts in the EU and beyond.

Indicators should identify knowledge and governance gaps to promote a circular economy.

Monitoring tools should also be developed to prevent environmental crime especially in the field of illegal waste exports to improve strengthen controls of shipments of waste, promoting the use of digital technologies for tracking and tracing, such as digital passports, tagging and watermarks.

A final aspect is the *just transition* aim of the CEAP [to be elaborated]

How to monitor

Real world monitoring is constrained by data availability, and principles needs to take as a point of departure what reality is. At the same time, it is important to push relevant developments in data availability.

- **Official statistics** - Exploiting and integrating all existing official information sources in the short term. Designing new monitoring tools (data sources) for monitoring missing aspects of the circular economy in the medium and long term.
- **Policy** - Improving substance traceability, better enforcement, and use of other measures to ensure a common ground between EU and non-EU operators; improving harmonization and mutual recognition of key legal definitions (e.g. end-of-waste criteria).
- **New data sources** – Exploring new data sources beyond the official statistics, such as modelling of footprint indicators and exploring ‘big data’

Who should monitor

Following the principles of the headline indicator areas outlined above there is a need to ensure a meaningful level of monitoring that allows to understand the transition process. Product level monitoring will run the risk of missing interactions across the economy and across geographical

levels, i.e. international, national, regional and municipal settings. There is therefore a need for a commonly agreed framework that sub-state, sector or product monitoring can make reference to.

- **Support businesses and citizens** - Long-term involvement of businesses and citizens and supporting them in developing and practicing sustainable forms of production and consumption.
- **Public administration** - Ensure homogeneous monitoring of public administration actions to stimulate markets through, e.g., sustainable public procurement and to prevent waste generation.