



## CLIM8 INVEST THEMES

Themes help us navigate climate impact in all its complexity and variety. We use them to draw threads through the most climate positive companies and funds, tying them into categories that tell a story about how the net zero transition is unfolding – and how your investments can play a part.

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# CIRCULAR ECONOMY

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## PROSPERITY THAT RESTORES THE PLANET

We only have one Earth. Yet right now, we're using nearly two, consuming natural resources 1.75 times faster than our planet can regenerate them.<sup>1</sup> This is clearly not sustainable.

It's the result of our linear 'take-make-waste' economy, where we extract raw materials and make them into products that are used briefly, then thrown away.

A circular economy, on the other hand, eliminates waste, keeps natural resources in circulation and regenerates nature. The beauty of the idea is that it breaks the link between human prosperity and environmental degradation. In a circular economy, modern life restores the planet.

Circular principles can be applied to food, water, energy, manufacturing, consumption – every aspect of the economy. Read on to explore why they are so urgent and necessary.

With investing, your capital is at risk



## CLIM8 INVEST THEME: CIRCULAR ECONOMY

### IT'S TIME TO GO CIRCULAR

The true picture of the linear economy is alarming. As well as creating waste and depleting ecosystems, it drives climate change.

Around 45% of global greenhouse gas emissions come from how we produce, manufacture, transport and dispose of everyday items.<sup>2</sup> And if we all lived like residents of the USA, for example, we would need the resources of 5.1 Earths to support us.<sup>3</sup>

It's time to overthrow 'take-make-waste'.

### CLOSING THE LOOP



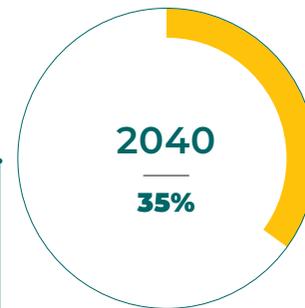
• More than 100 bn tons of materials are entering the global economy this year. Just 8.6% of this will stay in circulation.<sup>4</sup>

• Today, people in high income countries each produce around 1.58 kg of waste per day – more than 4 times the amount in low income countries.<sup>5</sup>



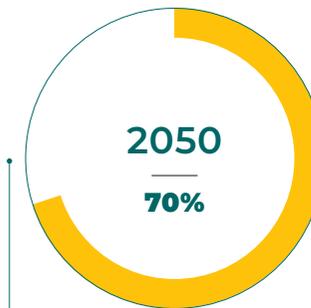
• PACE, a global initiative, is calling for circularity to be doubled every ten years, making the economy 17% circular in 2032.<sup>6</sup>

• This path could reduce CO2 emissions by 39% by 2032 and reduce total material footprint by 28% in the same period.<sup>7</sup>



• A circular transition could meet the EU's targets for net carbon removal of 310 Mt CO2 per year, based on land use as a carbon sink.<sup>8</sup>

• It could also enable us to halt biodiversity loss and restore it to pre-2000 levels by 2035.<sup>9</sup>



• A circular path could reduce CO2 emissions by 83% by 2050 compared to today.<sup>10</sup>

• It could also reduce the consumption of primary materials by 53% and free up 640m hectares for biodiversity recovery (that's 1.5x the size of the EU!)<sup>11</sup>



2: UNEP and the International Resources Panel (2019), and cited in EMF (2021) How the Circular Economy Tackles Climate Change. 3: [Earth Overshoot Day](#) 4: <https://www.circularity-gap.world/> 5: <https://openknowledge.worldbank.org/bitstream/handle/10986/30317/9781464813290.pdf?sequence=13&isAllowed=y> 6: [Platform for Accelerating the Circular Economy](#) 7: Circle Economy, "The Circularity Gap Report 2021" 8: <https://www.euractiv.com/section/climate-environment/news/leak-eu-strategy-seeks-to-remove-carbon-from-atmosphere/> 9: [Sitra 2022](#) 10: [McKinsey](#) 11: [Sitra](#)



CLIM8 INVEST THEME: **CIRCULAR ECONOMY**

**COMPLETING THE CIRCLE**

The circular economy is radical but it's achievable. And the prize is huge. Projects are springing up all over the world, following the model's three principles:



**Eliminate waste and pollution.** This needs a change in mindset, so waste becomes seen as a design flaw.



**Circulate products and materials at their highest value.** This way, nothing becomes waste.



**Regenerate nature.** We move to a system that restores nature, rather than degrading it.

Here are some areas where circular economy principles are being applied:

**THE RIGHT TO REPAIR**

When some products are broken, they can't be fixed. Yet if we can repair electronic devices, for example, we can prolong their lifespan, reducing waste and the need for raw materials.



**CIRCULAR CARBON**

We urgently need to reduce CO2 emissions, so it's lucky that CO2 is a valuable raw material for fuel, food, fertilisers and building materials – transforming this potential pollutant into a resource.



**RECYCLING METALS**

By 2040, recycling spent batteries could provide 10% of the copper, lithium, nickel and cobalt needed for zero-carbon energy production. Emissions reductions of 15% can be achieved by using restructured steel in buildings.<sup>12</sup>



**RETHINKING OWNERSHIP**

When products are leased rather than sold, it gives companies the incentive to make them last longer and repurpose them profitably, reducing material use and waste.<sup>13</sup>



**CIRCULATING WATER**

By using less water, redirecting waste water to agriculture or industry and plugging leaks in the system, we can create water systems that are more like nature, where nothing is wasted.<sup>14</sup>



**ZERO-IMPACT FASHION**

How can an industry that relies on a never-ending cycle of new products be circular? By ensuring clothes are used more, made to be made again, and made from recycled or renewable materials.<sup>15</sup>



**BETTER PACKAGING**

New techniques mean that packaging can be made or even grown from natural materials, so it biodegrades back into the environment. It can be designed to be reused, or made to be easy and efficiently recycled.



12: IEA 13: <https://www.sitra.fi/app/uploads/2020/12/rethinking-ownership.pdf> 14: [https://iwa-network.org/wp-content/uploads/2016/07/IWA\\_Circular\\_Economy\\_screen-1.pdf](https://iwa-network.org/wp-content/uploads/2016/07/IWA_Circular_Economy_screen-1.pdf) 15: <https://emf.thirdlight.com/link/nbwff6ugh01m-y15u3p/@/preview/1?o>



## CLIM8 INVEST THEME: **CIRCULAR ECONOMY**

### **INVESTING IN CIRCULARITY**

By decoupling growth from the consumption of resources, the circular economy radically reshapes how economies work. Noting that only 8.6% of the world is 'circular' right now, the World Economic Forum sees trillions of dollars of economic benefits in the transition, on top of its social and environmental benefits.<sup>16</sup>

But more investment is needed, not only to drive the next wave of innovation in industrial and manufacturing processes, but also to ramp them up at scale across a vast range of sectors.

### **THE CIRCULAR ECONOMY IS A FAST-GROWING MARKET**

#### MARKET OPPORTUNITY IN CIRCULAR



**\$457.14 billion**  
by 2020

**\$4.5 trillion**  
by 2030

#### LITHIUM-ION BATTERY RECYCLING MARKET



**\$1.7 billion**  
2021

**\$23.72 billion**  
by 2030

#### SECOND-HAND CLOTHING MARKET



**\$32 billion**  
by 2020

**\$84 billion\*** (Projected to be 2x the market for fast fashion by 2030)

#### METALS RECYCLING MARKET



**\$67.6 billion**  
2020

**\$102 billion**  
by 2030

### **GROWING A CLIMATE POSITIVE FUTURE TOGETHER**

We believe that investing can do more to fight climate change than anything. So we only focus on companies and funds who are actively moving towards net zero, not just paying lip service to it.

For our Circular Economy theme, this means supporting companies that are investing in a new way of doing business. From specialists in materials technology, industrial processes, packaging, innovative business models, regenerative agriculture, and much more.

### **OUR SIX INVESTMENT THEMES**



**GREEN ENERGY** Generating electricity through renewable sources like wind, water and solar power.



**CLEAN MOBILITY** Moving away from fossil fuels towards electrified, zero-emission transport systems.



**CLIMATE TECHNOLOGY** Enabling systemic transition to net zero through smart tech, efficiency and more.



**WATER SYSTEMS** Providing clean, safe water for all and processing waste water responsibly.



**SUSTAINABLE FOOD** Ensuring plentiful food supplies while reducing emissions, deforestation and land use.



**THE CIRCULAR ECONOMY** Reducing waste, recycling materials and revolutionising the way things are made.



16: [World Economic Forum](#) \*Forbes 2021



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