



## **G7-B7 Joint Workshop on Circular Economy and Resource Efficiency Principles**

### **Summary of Discussions**

#### **Event Outline**

The G7-B7 Joint Workshop on Circular Economy and Resource Efficiency Principles (CEREP) was co-organized on November 6-7, 2023 under the initiative of Japanese G7 and B7 Presidencies for 2023 (Ministry of the Environment and Keidanren) as well as the incoming G7 Presidency for 2024 (Ministry of Environment and Energy Security, Italy) with the aim of encouraging business community to fully utilize CEREP in enhancing their circular and resource efficient businesses.

The event was held as a follow-up to the G7 Climate, Energy and the Environment Ministers meeting in April in Sapporo and the G7 Hiroshima Summit in May, which adopted and endorsed CEREP respectively.

#### **Contents and structure**

##### *Day 1 (November 6, 2023)*

The meeting began with opening remarks by the current G7 and B7 Presidencies (**H.E. Mr. MATSUZAWA Yutaka**, Vice Minister for Global Environment Affairs, Ministry of the Environment, and **Ms. NODA Yumiko**, Vice Chair and Chair of Environment Committee of Keidanren) as well as **H.E. Ms. Vannia GAVA**, Vice Minister, Ministry of Environment and Energy Security.

As an introductory presentation, Mr. Satoshi Yoshida, MOEJ presented the overview of CEREP. This was followed by presentations by G7 members (EU, Germany, Italy and the US) on themes including domestic circular economy policies and strategies, public investments, and public-private partnership initiatives aimed at enhancing circular and resource efficient business practices.

B7 members and other business representatives/observers (Japan, EU, and Canada) then shared some best practices related to CEREP, demonstrating how CEREP may be integrated and implemented at the corporate level. Presentations also included a case of stakeholder platform for CE targeting SMEs facing specific challenges in adopting circular business practices. An ongoing project to develop a guidance document for sustainable finance on circularity was also shared.

##### *Day 2 (November 7, 2023)*

There were three guiding presentations from invited international organizations.

Mr. Dominic Waughray, Executive Vice President of WBCSD, pointed out obstacles in scaling secondary materials markets, and introduced Circular Transition Indicators – a global framework to measure circularity aimed at addressing corporate level accountability gap, as well as Global Circularity Protocol (GCP), WBCSD's ongoing initiative comprising of impact analysis, policy framework, corporate performance and accountability system for circularity.

Mr. Rob Dellink, Senior Economist at OECD, presented results of a modelling study on potential emission and material use reductions from introducing different policy package and their implications to policy-making. Diverse interlinkages of trade and circular economy, including policy coherence and international cooperation for enabling trade in waste, secondary materials and second-hand good were highlighted, and challenges and proposal of solutions were presented.

Dr. Janez Potočnik, the Co-chair of International Resource Panel, highlighted the scientific evidence of natural resources use being a main driver for the triple planetary crisis, and the multiple benefits of

transition to a circular and resource efficient economy. Preliminary results from IRP's upcoming Global Resource Outlook 2024 were also introduced including the significant resource-energy-GHG reduction potentials in mobility and housing sectors from adopting CERE approaches.

In the panel discussion, B7 and other business representatives shared their experiences and challenges in promoting circular business, followed by G7 members sharing examples of national policies and initiatives supporting circular business practices and implementation of CEREP and responding to previous discussions, with interventions from other participants.

### **Key discussions**

- There is an increasing and urgent need and strong call for alignment/harmonization of policies, regulations, standards, definitions, classifications across countries, flexibilities of regulations given to different applicable technologies as well as promoting equitable application of rules to enhance circularity.
- Companies face multiple challenges in scaling circular business practices across value chains and in relation with relevant stakeholders including but not limited to promotion of sustainable product design, improvement of collection and resource circulation system, sharing information among stakeholders, and engagement with other companies, investors and financial institutions.
- Risk-averting behaviour, which still exists as industry-wide culture, is one of the factors preventing dissemination of circular products and services even if they have market-competitiveness. Strengthening a sense of “shared accountability/responsibility to sustainability” among industries may address such stalemate. Creation of a business-to-business pact which pushes organizations to assume such responsibility can be an example of influencing decision over use of innovative circular products and services.
- Promoting standardization of product design can have resource efficiency impact. For instance, extended use of mass timbers in construction sector can be further supported by standardization of the material to enable their post-end-of-life re-use.
- The stagnation of global resource productivity since 2000's is partly due to the shift of production from resource efficient countries to relatively non-efficient countries, and this deserves attention in discussing trade.
- The recent amendment of the Basel Convention that classified e-waste as hazardous, thus requiring potentially time consuming prior informed consent processes, is posing a grave challenge to those who run recycling or remanufacturing business across borders. Absent a major improvement in the PIC process and implementation of fully digital protocols, this has implications to the companies' commitment under EPR schemes as well as securing critical minerals necessary for enabling net-zero transition. There was a proposal for a political solution including considering revision of the current OECD's Decision to allow further environmentally-sound recycling, or alternatively promoting bilateral or regional agreements to secure smooth transboundary movement of resources. (Another participant expressed a disagreement on these matters.)
- Trade facilitation matters in promoting circular business and environmentally sound recycling at the global level, which can fill “circularity gaps” among countries.
- Both governments and businesses are investing in R&D and innovation across sectors to identify business opportunities and sustainable solutions, which in some cases resulted in establishment of research centres under PPP initiative. There are many start-ups and scale-ups with innovative circular solutions that need financial and regulatory support, which may be assisted through accelerators and public funds. Governments and private businesses should work collectively to support circular innovation at the global level.

- Public-private CE platforms for promoting public-private partnership can be a useful space for exchanging information and enabling dialogue among its members, and can help understand challenges, policy and regulatory needs as well as identify solutions. Such platforms already do exist in some G7 members. Business-initiated sector-wide voluntary action plans and agreements with clear circularity goals and targets are also reported.
- Policy-making as well as development and implementation of legislation, in domestic and international context, both play critical roles in transitioning to circular and resource efficient economy, including creation of level-playing field. While governments cannot directly set course for business models, a diverse set of policy instruments are available and influencing behaviour of business actors including: reparability score promoting adoption of eco-design, eco-labelling that encourages LCA data collection, management and disclosure, and public green procurement that incentivizes environmental/circular products and services.
- Information tools including guidance documents can assist advance circular business practices.
- Extended producer responsibility, promotion of industrial symbiosis through combination of digital platform, waste management standards are also existing examples.
- Economic incentives are indispensable for mainstreaming circular economy. While introduction of tools such as tax is considered to pose political challenges, some governments has introduced combination of EPR and eco-modulation of fees to encourage proliferation of environmental goods and services.
- Value-chain level indicators/metrics can be discussed by G7 members. They are specific to each value chain with no “one size fits all” approach, recognizing that they are much more complex than climate indicators. The purpose of disclosure should be clarified to identify types of information that needs to be passed down to specific stakeholders. Corporate-level indicators are linked with sustainable finance, which can be a lever for scaling circular business but are still complex. They may lose key aspects of circularity when aggregated and pose challenge in comparability when applied across different value chains.
- CEREP and Global Circularity Protocol are mutually reinforcing, with clear linkages including on corporate-wide disclosure and building enabling environment for scaling CERE businesses.
- The area for future cooperation and discussion among G7 and B7 members can be harmonization of definition and standards on recyclable and recoverable goods and materials as well as other areas for building an enabling environment for international trade, including a fully digital PIC process, which are indispensable for smooth and efficient international recycling and also in line with the G7 outcomes this year.
- This meeting was a valuable space for both governments and businesses to directly exchange views, understand needs and challenges and explore solutions, and may be continued in future, potentially focusing on specific areas or sectors.

The incoming G7 Presidency expressed its intention to continue and lead the discussion on CEREP together with B7 and to further enhance collaboration and engagement with the business sector.

In closing, Mr. SUMIKURA Ichiro, Director General for Resource Circulation, MOEJ, briefly recapped the discussions and presentations, thanked the participants for their constructive discussions, and expressed hope for continued collaboration between G7 and B7 on circular economy and resource efficiency.