



## Circular Economy strategy FRAMEwork for sustainable SMEs

### **IO3: Circular Economy Implementation Framework (CE Framework)**

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### 3.6 Environmental factors

Environmental or Ecological factors are those factors related to the broader environment and climate where the company operates and might play a crucial role in either facilitating or slowing down the company's transition towards a Circular Business Model (CBM). One of the first steps an organisation should take toward CE transition is to assess the environmental factors that influence the effort. The most common barriers and drivers a company faces are stressed out below as well as crucial sub-factors to be assessed.

Barriers are factors that impede the smooth transition of an organisation to a more CBM. According to the bibliography, the following major barrier has been identified regarding environmental factors:

- Pricing of products and services offered at a given time by companies usually does not reflect the environmental costs. As companies usually are not responsible for the end-of-life of a product, they do not incorporate the environmental costs within the product's final price. They consider only the costs and the profit margin. These costs may include manufacturing, design, supply, transport and marketing and communication but rarely the environmental cost for its end-of-life. As a result, customers are less sensitive to products that can be handled easily after their use.

Drivers, on the other hand, are those factors that proved to be beneficial to boost companies to adopt a more CBM. From an environmental perspective, the main drivers are:

- The demand for resources continues steadily to grow CE by relying less on natural raw materials and more on recycling existing products, and this could help fight resources' scarcity.
- According to COP21<sup>1</sup>, all parties should keep global warming below 2°C. For that goal at least a 50% reduction of total greenhouse gas emissions is required. According to a study from Deloitte (Deloitte 2016), applying scaled circular economy strategies could meet 60% of this objective. Indeed, implementing circular economy models in the four key sectors: food, construction, automotive and electronics could reduce the CO<sub>2</sub> emissions by 550Mt eq.
- Environmental destruction of biological habitats. Habitats conversion to farmlands, consumption of resource-intensive foods, large-scale use of grains for animal feed and excessive food waste by consumers aggravate pressures on

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<sup>1</sup> Conference of the Parties – Paris 2015

biodiversity. In principle, the pressure created by the exhaustion of natural capital and environmental degradation may accelerate CE.