

Partial Business and Regulatory Impact Assessment

Title of Proposal

Partial Business and Regulatory Impact Assessment (BRIA) Associated with Making things last: Consultation on creating a more circular economy in Scotland

Purpose and intended effect

1. Background

The Scottish Government's Zero Waste Plan (ZWP) (2010) <http://www.gov.scot/Publications/2011/10/14120940/16> set out actions and targets to achieve a zero waste society. It aims to maximise the value of the waste material resources we use in our economy, creating new business opportunities as well as savings to existing businesses and local authorities.

Safeguarding Scotland's Resources: Blueprint for a More Resource Efficient and Circular Economy (2013) <http://www.gov.scot/Resource/0043/00435308.pdf> builds on the Zero Waste Plan and focuses on waste prevention, resource efficiency, and the circularity of some product/material supply chains in the Scottish economy. The Scottish Government states in the programme:

If we keep on consuming on current trends we will need to extract 75% more raw materials in the next 25 years. Most of these are finite resources, and even those that can be renewed have limits on what can be used sustainably.

This situation and the path we are on is clearly unsustainable, not just for our environment, but for our future economic prosperity too. So the actions we are committing to in this programme are designed to safeguard our prosperity by helping Scotland use our planet's precious resources more efficiently.

Safeguarding Scotland's Resources: Blueprint for a More Resource Efficient and Circular Economy (2013)

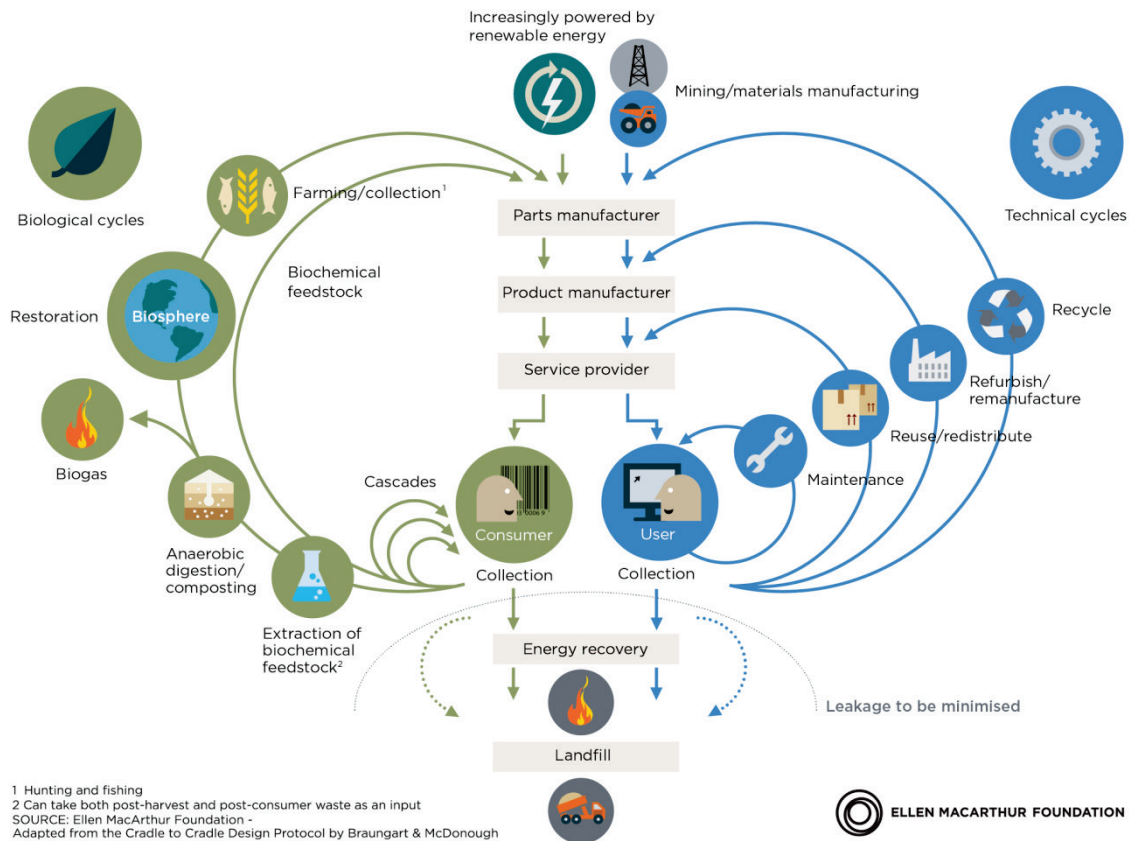
A circular economy keeps products and materials in use for as long as possible, through changes in design, manufacture, and the way that services are sold to consumers. At the end of their life, products, components, or materials are recovered for reuse, repair, remanufacture, or recycling.

Circular economies consist of "closed loops" where material inputs and waste outputs are minimised – a model that can be realised either on a geographical basis (e.g. within Scotland), or on a functional basis (e.g. within a specific sector or supply chain). A circular economy addresses some of the growth constraints and risks inherent in the linear model of 'take, make and dispose of'. The shift towards greater circularity can provide new growth opportunities

for businesses and reduce environmental impacts.

Graphic Depiction of a Circular Economy

CIRCULAR ECONOMY - *an industrial system that is restorative by design*



2. Objective

- To accelerate the development of a circular economy in Scotland.
- Deliver greater circularity to the Scottish economy as set out in Scotland's Economic Strategy (March 2015).
<http://www.gov.scot/Resource/0047/00472389.pdf>
- Contribute to the Scottish Government's aims towards meeting the 2050 emission reduction targets and the requirements set out in Sections 78-90 of the Climate Change (Scotland) Act 2009.
<http://www.legislation.gov.uk/asp/2009/12/2009-08-05>
- Contribute to international action; the European Commission is currently consulting on a package of circular economy measures (July 2015).
http://ec.europa.eu/environment/consultations/closing_the_loop_en.htm

We are creating conditions for a more circular economy that helps companies embrace new business models and manufacturing processes, and which transforms used products into assets that support industries like remanufacturing, reuse, product disassembly and reprocessing.

Remanufacturing is transforming how parts and products are produced. In doing so, it helps industries minimise their use of raw materials, while reducing energy and water use.

Sectors as diverse as aerospace, energy, automotive, IT and medical equipment industries are already benefiting from this transformation. We are helping to stimulate remanufacturing networks and supply chains by funding the Scottish Institute of Remanufacture – one of only four international centres of excellence for remanufacturing.

Scotland's Economic Strategy, March 2015.

3. Rationale for Government intervention

Accelerating the development of a circular economy in Scotland will assist the achievement of the National Purpose Framework:

<http://www.gov.scot/About/Performance/scotPerforms/purpose>

- Increase productivity, competitiveness and resource efficiency: greater circularity will keep valuable materials in the Scottish economy for longer and encourage the more efficient management of resources. Opportunities exist across the Scottish economy to reconfigure the flows of material inputs into higher value and more sustainable markets. Greater circularity could lead to increased resource productivity and competitiveness.
- Sustainability, enhance the environment and reduce emissions: the core principles of a circular economy are consistent with environmental sustainability. Circular economy activities include reuse, repair, remanufacturing and recycling and moving economic activity into tighter material loops is consistent with higher sustainability and emissions reduction through reduced requirements for material resources, energy, and water during production.

At the end of 2013, an Evidence Gathering Programme was established to better understand how a more circular economy could operate in Scotland and what the benefits might be.

Research by Ellen MacArthur Foundation

<http://www.zerowastescotland.org.uk/content/scotland-and-circular-economy-0> found that adopting the principles of circularity across 8 sub-sectors of manufacturing could make annual cost savings of £0.8-£1.5 billion.

Remanufacturing was identified as an element of the Scottish economy where new employment and value added potential exists.

<http://www.zerowastescotland.org.uk/RemanufacturingReport>

In the food and drink industry, significant new, higher value, opportunities for by-products from the whisky and fish processing industries have been quantified <http://www.zerowastescotland.org.uk/BeerWhiskyFish>

A number of other studies are underway that aim to provide further evidence on the scale of circular economy opportunities in Scotland. These together with the consultation process outlined below will inform the Proposals.

4. Consultation

In the period from January to June 2015 the Scottish Government undertook a period of engagement and debate with a broad range of internal stakeholders. The purpose of this debate was to broaden understanding and awareness of the opportunities arising from a circular economy in Scotland and the changes in behaviour and practice that may be involved.

During the debate period further evidence and information was gathered and potential policy approaches which support action towards a circular economy were identified. The debate also provided a focal point for innovation and new ideas and ultimately laid the foundations to develop the proposals in this consultation.

- **Within Government**

Many aspects of the proposals have been discussed across the Scottish Government and with a variety of public bodies and agencies including Education Scotland, Highlands and Islands Enterprise, Scottish Environment Protection Agency (SEPA), Scottish Enterprise, Scottish Funding Council, Zero Waste Scotland, Skills Development Scotland.

- **Public Consultation**

The debate period engaged a range of external stakeholders with the purpose of broadening the awareness and understanding of greater circularity in the Scottish economy and providing a focal point for consensus on potential new innovations and measures.

The stakeholders involved in the process included:

- Aerospace Defence Security & Space (ADS UK), Chartered Institution Wastes Management (CIWM), Convention of Scottish Local Authorities (COSLA), Ellen MacArthur Foundation Circular Economy 100 members, Community Resources Network Scotland (CRNS), Decom North Sea, European Chemical Regions Network, Green Alliance, Industrial Biotechnology Innovation Centre (IBioIC), Institute of Brewing & Distilling, MRO Network (aerospace), NFU Scotland, Oil & Gas UK, various Industry Leadership Groups, Scottish Whisky Association,

The formal consultation will run from 20 August 2015 to 30 October 2015.

- **Business**

As part of the formal consultation, we will be asking what impact the Circular Economy Proposals might have on businesses. Scottish SME's and large businesses from a broad cross section of activities and locations will be consulted.

The results of the consultation will be used to develop a full BRIA, to evaluate the business benefits of the Proposals, as well as the potential cost implications.

Options

1. Do Nothing/Business As Usual.

Currently there are existing policies and measures in place through the Zero Waste Plan and Safeguarding Scotland's Resources Programme. These have helped create the foundation for a move to a more circular economy and also address any EU or legal requirements to manage or prevent waste in our economy. Many of the policies, measures and targets contained within these plans are on-going and remain relevant, such as the recycling targets, provision of the Resource Efficient Scotland services to businesses, and the development of the Scottish Institute of Remanufacture to grow remanufacturing capacity. We can therefore expect further progress to be made under this option.

However, with new research and rapid developments in the understanding of the opportunities presented by a more circular economy, there is a risk that without an updated strategy to transition towards a circular economy the outcome for Scotland will be ad hoc and partial; and one where the economic, environmental and social benefits are not fully realised.

2. Making Things Last – Consultation on creating a more circular economy in Scotland.

The Consultation Proposals present a package of new policies and measures based on an evidence gathering programme of work and a six month period of engagement with key stakeholders. The Proposals aim to strengthen the circular "loops" in our economy including design, reuse, repair, remanufacture and recycling all of which cut across the private, public and third sectors.

Supply chains are highly interconnected, are often cross-sector and can be local and international. This complexity needs to be reflected in a strategic and coordinated approach to a range of new supporting regulatory and non-regulatory interventions.

This approach will identify activities and sectors in the Scottish economy where the

most potential exists to benefit from circularity. The formal consultation period provides the opportunity to further engage with key stakeholders and will inform what actions and interventions are selected to maximise the benefits of greater circularity.

This is the preferred option.

Sectors and groups affected

Options 1 and 2 will affect the Private, Public and Third sectors.

Benefits

Option 1. Do Nothing/Business As Usual.

The adoption of circular economy activities in Scotland continues at existing rates. Benefits are felt across the Scottish economy and include; improved rates of reuse, repair and remanufacturing. The trend for greater resource efficiency is maintained and recycling rates continue to rise in line with Scotland's Zero Waste Plan.

Option 2. Making Things Last – Consultation on creating a more circular economy in Scotland.

The adoption of circular economy activities in Scotland is accelerated. Uptake of reuse, repair and remanufacture increases significantly and materials are held in tighter, higher value loops for longer. Resource efficiency measures and recycling rates also accelerate. New design and supply chain opportunities emerge, giving rise to innovative solutions and unlocking additional public and private investment.

A broad indication of the potential scale of monetary benefits from accelerating the transition to a circular economy can be estimated using the methodology in a recent publication by Ellen MacArthur Foundation¹.

This study calculates the cost savings of greater circularity in Europe under the current trajectory (business as usual) and the cost savings if there were to be a series of interventions and uptake of new technologies that accelerate the transition. Three significant sectors are analysed to 2030: mobility, food and built environment. The spend in these sectors is broken down by resource cost, household & government costs and externality costs including congestion, pollution and CO₂.

Applying this methodology to Scotland, based on a current total Scottish spend on mobility, food and built environment of £68 billion, the business as usual case would see annual costs fall by £8.5 billion by 2030. If new intervention speeds the transition to a circular economy in line with the study's forecasts the annual cost savings to the Scottish economy could potentially reach £17 billion by 2030.

Costs

¹ Growth Within: A Circular Economy Vision for a Competitive Europe (June 2015)

Option 1. Do Nothing/Business As Usual.

No new additional costs are associated with delivering the existing circular economy trajectory.

Option 2. Making Things Last – Consultation on creating a more circular economy in Scotland.

The Proposals identify wide ranging actions and interventions that are under consideration. Specific measures which constitute the final “Package” will be identified during the formal consultation process and as part of the wider engagement process with business and other stakeholders. While our intention is to reprioritise existing budgets to deliver the final programme, the costs associated with specific actions and interventions will be individually assessed in a full BRIA.

Scottish Firms Impact Test

This section will be informed by evidence gathered during the formal consultation process and completed in the final BRIA. In addition to the written consultation process there will be meetings with a number of businesses affected by the Proposals across a range of sectors and scale of operations. The circular economy evidence gathering programme of work has already directly consulted with a range of businesses including those in the Aerospace, Chemicals, Energy, Food & Drink, Marine, Oil & Gas and Renewables sectors.

Competition Assessment

We will apply the Office of Fair Trading Competition Filter questions to the relevant actions which are included in the finalised package of support. These actions will be detailed in the final BRIA.

Test run of business forms

This section will be informed by evidence gathered during the formal consultation process and completed in the final BRIA.

Legal Aid Impact Test

It is not envisaged that there will be any greater demand placed on the legal system since businesses and organisations will be the primary focus of the Proposals. Accordingly, it is not considered that there will be any effect on individuals’ right of access to justice through availability of legal aid or possible expenditure from the legal aid fund. Confirmation from Justice colleagues that they agree with these assumptions is being sought and will be included in the final BRIA.

Enforcement, sanctions and monitoring

Where regulatory measures are proposed these will work within existing and established regulatory frameworks and programmes e.g. the Waste (Scotland) Regulations 2012 and Scottish Government regulatory reform programme with SEPA. This section will be informed by evidence gathered during the formal consultation process and completed in the final BRIA.

Implementation and delivery plan

The proposals include existing measures that are already on-going. Any proposed additional measures will formally commence implementation from the point where the proposals are finalised as a package following the completion of the consultation process. Timescales for the implementation of any new measures may vary from several weeks to several years and the proposals will be implemented, managed and monitored as an integrated package.

Post-implementation review

Post implementation review of the finalised proposals relating to legislation will be undertaken at points whenever other measures that may impact upon them are proposed or introduced, for example the EU Circular Economy Package expected in 2016.

Summary and recommendation

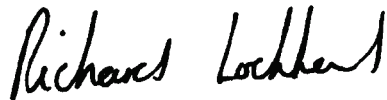
Option 2, Making Things Last – Consultation on creating a more circular economy in Scotland is the preferred option.

The costs associated with the package of specific interventions selected to drive the transition to a more circular economy in Scotland will be finalised after the formal consultation period.

Declaration and publication

I have read the Business and Regulatory Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

Signed:

A handwritten signature in black ink, reading 'Richard Lochhead'.

Date: 20 August 2015

Richard Lochhead
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