



# Green Momentum

## TRANSCRIPT PODCAST GREEN MOMENTUM Let's Move to a Circular Economy

### Introduction, by Jérôme Libeskind

Hello, everyone, this is Jérôme Libeskind speaking and you are listening to Green Momentum. This is the first podcast dedicated to green finance and its role in the global approach of companies and governments for better preservation of the environment. Green Momentum is brought to you by Natixis. Today we will talk about an economy that tries to be more virtuous, an economy that tries to reduce waste and its impact. We will talk about circular economy with two guests, Radek Ján, Infrastructure and Green Finance specialist at Natixis. You're with us from Dubai, where you're working right now. Hi, Radek.

**Radek Ján:** Hi, everyone. Pleasure to be here.

**Jérôme Libeskind:** And we are also with Ashley Blows, Managing Director, Transport and Environment Industry Group at Natixis, you're live from London. Hello, Ashley.

**Ashley Blows:** Good morning.

**Jérôme Libeskind:** Thank you both for being here with us today.

**Question:** My first question about circular economy will be “what is your definition of a circular economy?”. Maybe we'll start with Ashley.

**Ashley Blows:** No problem. My definition of a circular economy is simply to reduce as much as possible the amount of wasted materials in how we exist, how we use things. There is a well-understood hierarchy of waste within the EU, within the UK. You should first reduce waste. If you can't reduce it, you should reuse it. If you can't reuse it, you recycle it, you recover it, for example, through burning, and only then do you landfill what's left over. And the idea is to reduce as much as possible the lower parts of that waste hierarchy. That is what the circular economy is. It is simply cutting down on the amount of waste in our daily lives and the production of goods.

**Question:** So: reduce, reuse, recycle, recover. Radek, what is your definition?

**Radek Ján:** Well, we just got essentially the full definition, so I will just add very, very little to that. I would just say that it is all about closing the loops. Trying to make sure that you maintain material in the loop, in the process of being used in one way or another for as long as possible. And to try to minimize the energy inputs that you need to do so.

**Question:** “Circular economy” is quite a recent term in economics. Where is the circular economy in its history? Is it in its middle age, or at a rebirth? Radek, can you tell us?

**Radek Ján:** Well, I think right now we are witnessing a sort of rebirth or renaissance, if you will, in the sense that the consumer consciousness about these topics is mounting, has been increasing for quite a long time. At the same time, you've got governments pushing up legislation and different types of regulation to make sure that there is some progress being made towards more circular economic models. Now, of course, this progress is taking place at an uneven pace. It really depends, from jurisdiction to jurisdiction, from continent to continent. Let's say that as far as the EU and the UK are

concerned, we are more at the forefront in terms of the regulatory and legislative push than in some parts of the world. There is still a long way to go.

**Question: So it is different from country to country and from continent to continent. Ashley, would you say that it depends on the sector we're talking about?**

**Ashley Blows:** I think, without question, in certain sectors, the circular economy is well developed. We've seen "reduce, reuse, recycle" for many, many years. The easy example is the paper and cardboard sector, where wastepaper cardboard is reused very frequently. And we're seeing growth in other sectors, even ones that people may consider quite difficult, such as oil. Oil can be recycled and reused. And all sectors are making a strong effort to catch up. Without question, it varies from sector to sector, but with the same push from product users, from governments, from regulators, and from the people, we can develop the circular economy and reduce waste.

**Question: Is the circular economy possible for any country or any sector? Can everybody have a circular economy, Radek?**

**Radek Ján:** Well, I mean, there will always be some sort of waste. Almost every human activity results in waste, one way or another. So, you know, perfectly closed loops - that's just not possible, perfect circularity. But we can try to get there as much as possible. And this is possible everywhere. Because let's say the human activity and the types of waste we produce are the same regardless if you are based in Europe or wherever else. It really doesn't matter, in this sense.

**Question: And you told us that the incentive was the basis of everything, right?**

**Radek Ján:** Yes, absolutely. Ashley was already talking about the waste hierarchy, the different types of waste treatment. And from the environmental perspective, they are really not equal at all. It's best to prevent or minimize waste. If you can't do that, you try to reuse as much as possible. If that's still not possible, at least you recycle for some other purpose. If that's also not possible, at least try to recover some energy, turn it into heat, into electricity, use it as a fuel, for instance. If even that is not possible, we just try to dispose of the waste. Let's say there are many different ways to do this, depending on types of waste, depending on conditions. And essentially, the takeaway message here is that doing something is always preferable to doing nothing at all. Now, unfortunately, from a purely economic standpoint, doing nothing or as little as possible is often the cheapest option. It is as true for individual consumers, like every one of us, as it is for companies. This is where regulation, legislation, and economic incentives really kick in.

**Question: We understand that countries' authorities have a big part to play in the circular economy. Ashley, would you say that consumers have an important part to play also?**

**Ashley Blows:** Without question. I mean, consumers are driving change in many industries. If we look at the plastics sector, particularly the single-use plastics, we can talk about the influence of David Attenborough's series of nature programs, the impact they've had on many, many people, particularly the young. So we are seeing a significant reduction in single-use plastics. And we're also seeing governments requiring manufacturers to increase the use of recycled product in the manufacture of plastics. So direct customers are having an effect, no question. And at the same time, people like investors, pensioners, and so on, are having a significant impact on financial institutions, requiring them to increase what they do.

**Question: It was a question I was about to ask you. What is the role of investors in promoting the circular economy? Is there a consciousness now that you have to promote it as an investor, or not?**

**Ashley Blows:** No question. There's a significant drive to push green and sustainable finance and green and sustainable investments. I think we have all realized (and importantly, shareholders, regulators, and governments have realized), that we cannot go on just damaging the environment, producing more waste, and just throwing it away. So there is a significant, strong drive from some governments, especially from some shareholders, limited partners in private equity funds, for companies to demonstrate that they are doing more from a broad ESG perspective and particularly from an environmental perspective. If you're a private equity fundraising money today, you must demonstrate

that you have a very sound approach to ESG and green issues. That simply wasn't the case 10 years ago. The changes are very, very significant.

**Question: It's significant. It is quite fast, Radek, and it can go with a good economic calculation, I would say. A good investor policy can lead to a good economic calculation that goes to profit, isn't it true?**

**Radek Ján:** Oh, yes, absolutely. I mean, when you look at private equity firms, obviously the aim is to make the company they are looking at as efficient as possible, which means to try to cut down waste or ineffective use of, say, energy or water or other material inputs as much as possible, because obviously there is a price you have to pay to use these inputs. So it is in your best self-interest, in your economic interest, to make sure that you use these resources as efficiently as you possibly can. So here, the strategic and financial objectives and the environmental ones really do go hand in hand when it comes to efficient use of resources.

**Question: Radek, you're based in Dubai right now. What is the situation on these topics there?**

**Radek Ján:** Well, there has been tremendous progress over the past few years. You know, we can see people looking more and more seriously into different types of waste management activities. As we said before, doing something is always strictly preferable to doing nothing at all. So all the different types of investments we've seen in waste treatment here in this region are very, very encouraging.

**Question: Ashley, you also know this part of the world very well. And you are an observer of everything that goes on with these topics. Would you say that everywhere in the world, countries are now aware of the circular economy, or not?**

**Ashely Blows:** I mean, some parts of the world are clearly more advanced than others. That has always been known to be the case. And wealthier areas are more advanced because, as Radek said, there is always a cost to these initiatives. But everywhere the awareness is more advanced than it was 5 years ago, 10 years ago, 20 years ago. Progress is being made. And just to add to what Radek was saying about the part of the world that he's in, the change has been spectacular. If you go back 10 years, when I first started being involved in financing deals in the Middle East, there were very few projects in the environmental sector. But now we are seeing wastewater treatment. We're seeing municipal solid waste treatment facilities. We're seeing hazardous waste treatment facilities and other environmental projects away from the waste sector, so the change is massive.

**Question: The change is massive. From France we can have the illusion or the impression that the circular economy is something confined to a very small part of the economy. But listening to you, I have the feeling that it is something that can affect all sectors, all industries, all parts of the economy. Radek?**

**Radek Ján:** Oh, yes, absolutely. Let's say all parts of the economy are, in one way or another, directly or indirectly, responsible for some share of human waste production. So, yes, circular economy, as a concept, is universally applicable. Now, of course, the degrees of implementation of policies going in this direction, and different initiatives at the company level and at the personal level, differ. They differ considerably depending on where you are, what exactly you do. But generally speaking, yes, it really is a concept that touches every single one of us.

**Question: The first things we think about with the circular economy are things like paper, your toilet, water, even plastic. But when it comes to construction or cars, is there massive movement in these sectors also, as you describe it, Ashley?**

**Ashley Blows:** Actually, there is significant movement. If you take construction, the reuse of construction industry waste has developed very considerably. And building products or simply the construction of new roads, etc. does reuse the products of demolition very significantly. And other industries, where it is more difficult to grow the circular economy, are also seeing growth. Take the electronic equipment market, where it is much harder to reuse and recycle. If you think about your mobile phone that has so many different materials in it, many of which are scarce, many of which are valuable, but it is still incredibly hard to extract them and reuse them. So we're seeing regulation or incentives to push producers of equipment to aid reuse and recycle, and that will continue to grow. And as we talked

about earlier, it will grow, particularly because there's demand from consumers as well as the push from governments.

**Question: Ashley, you wanted to talk to us about your house in London, which is a good example of circular economy, isn't it?**

**Ashley Blows:** My house, it's been around a long time, so it's been reused by many people. Yes.

**Question: We're almost done with this podcast today. I have one last question: are you optimistic or pessimistic for the future?**

**Radek Ján:** You mean in general, my life outlook, or when it comes to waste and circular economy?

**Jérôme Libeskind:** In general, if you want. But when it comes to our topic.

**Radek Ján:** Let's stick to the topic then. No, look, I think there are still some challenges to overcome, actually quite a lot of them. But the pace of progress has been quite remarkable over recent years. And we actually do have the technologies and we do have the know-how to deal with different types of waste and how to really attenuate negative environmental impacts. So I think that, on this side, there is quite a lot of hope. This doesn't mean that we will have a perfect circular economy tomorrow. That's definitely not on the menu. And the overall amount of waste is going to increase quite significantly. Just to give you a few numbers: each year, the world as a whole generates roughly two billion tons of waste totally through all the different human activities, yes, two billion tons of waste every year from all the different human activities combined. For instance, a study by the World Bank estimates that this will go to roughly three point or three point five billion tons of waste every year by 2050. So the overall amount of waste is actually going to increase, very likely. And the crucial question here is what are we going to do with it, and how? And here it will really depend on a combination of consumer consciousness, public policies, regulations, economic incentives, but in terms of what can be done, I am definitely optimistic; in terms of what will be done, well, that's a question mark.

**Question: That's a good question mark. Ashley without being a utopist, are you optimistic or pessimistic?**

**Ashley Blows:** I am definitely optimistic and I agree with many of the things that Radek said. If you look at the push for improvement from customers, from governments, from investors, I think we will see in the waste sector, in the circular economy world, significant technological development. Many of those developments are difficult to foresee precisely today. The technological development, the increase in demand for the circular economy will also drive research and development. Research and development will drive new products, bring down costs. We've seen it in other industries. A very good example is in the renewable energy sector: costs of wind turbines, solar panels, etc., have come down massively through R&D, through volume of production, and so on. And I see no reason why that would be different in the world of waste management, in circular economy. The issue is, as Radek correctly identified, the speed of progress, which will not be a nice, smooth, linear development. It will be different from country to country, from sector to sector. But I am very optimistic that there will be good progress.

### **Conclusion by Jérôme Libeskind**

So, we have two optimistic guests and we like that at Green Momentum. That's the end of Green Momentum for today. I thank you both for being our guests in this podcast today. Thank you to those who are listening and see you soon at Green Momentum.