

# Five tests for England's Circular Economy Strategy: will it deliver a transformation?

December 2024

The government was elected on a manifesto commitment to a circular economy and is now developing a new strategy for England. Its ambitions are high, with stated aims including grasping the “opportunity to become an international leader in circular design, technology and industry”.

Benefits of this move that the government has already identified include growth, more jobs, more efficient and productive use of resources, avoiding negative environmental impacts and accelerating the trajectory towards a net zero carbon economy.

This is an exciting opportunity to deliver transformational change.

As members of the Green Alliance convened Circular Economy Task Force, we believe this is the best opportunity for many years for the country to finally reap the many rewards of the circular economy, which we have been documenting and promoting since 2012.<sup>1</sup>

Based on our extensive experience in this area, we believe the success of the government's strategy should be judged against the following five tests:

### **1. Does it futureproof long term growth, identifying how to account for the financial risks of linear models and supply chain disruption?**

Supply chain shocks are becoming the norm and nature's degradation is starting to bite. The Green Finance Institute has said that nature's depletion in UK supply chains could knock six per cent off GDP by the 2030s, greater than the hit caused by the 2008 financial crisis.<sup>2</sup> But the current economic system does not properly account for these impacts, so the strategy should identify the changes needed so it does. This could include commissioning an organisation like the Office for Budgetary Responsibility to assess the economic risks embedded in the linear economy, building on the work being done by the Netherlands Central Bank.<sup>3</sup>

Critical raw materials are a particular concern, as the UK is nearly 100 per cent reliant on volatile supply chains for all materials that have high or elevated criticality.<sup>4</sup> These are needed by economically vital sectors, so the strategy, in conjunction with a revised critical minerals strategy, must deliver meaningful protection to businesses and the wider economy by reducing UK reliance on unstable and potentially harmful supply chains.

## **2. Does it rebalance the investment environment to enable circular businesses to thrive?**

Despite the benefits circular businesses could bring to the economy in terms of growth and jobs, too often ‘take, make, use, throw’ linear business models enjoy unfair economic advantage. The serious damage they cause to the environment and people’s lives is not factored into their costs. This, combined with multiple perversities in the tax system, makes it hard for circular businesses to compete.

For instance, unnecessary demolition occurs because new build is favoured over retrofitting existing buildings; the former benefits from zero rate VAT, while the latter is usually charged 20 per cent VAT, creating the incentive to demolish. Start up leasing businesses can struggle to access tax relief, such as the Seed Enterprise Investment Scheme (SEIS), because they are ineligible once their gross assets, such as rented vehicles or clothing, reach £200,000.<sup>5</sup> With buy in from the Treasury, the new strategy should do more than level the playing field and instead provide positive incentives, tilting it towards the sustainable, resource efficient businesses of the future.

## **3. Does it set a long term goal to bring UK resource use within planetary boundaries?**

The circular economy prioritises activities that keep resources in use at their highest value for as long as possible. A key measure of success should be the extent to which the new strategy aims to, and delivers, reductions in raw material use. This is crucial as extracting and processing material resources – metals, minerals, biomass and fuel – drives 55 per cent of global emissions and over 90 per cent of biodiversity loss.<sup>6</sup> The UK’s material footprint is at least twice what the UN says is sustainable.<sup>7</sup> The guiding star for the government’s new strategy should be the aim to reduce resource use to sustainable levels by 2050.

## **4. Does it establish a robust framework for key sectors to deliver against overarching aims?**

Government resource-related policy to date has often become stuck on certain sectors – such as packaging or single use plastic products – and on certain activities, notably landfill diversion and recycling. But transformational change requires detailed plans for all high impact sectors, including construction, vehicles, electronics, textiles and food.

The government has promised that the overarching strategy will be supplemented with sectoral roadmaps. Rather than just tacking recycling on to the end of an otherwise linear process, these need to identify ambitious end states for each sector, and their relative responsibilities under the strategy, in line with the Climate Change Committee’s approach to apportioning sector responsibilities for carbon reductions. The strategy and roadmaps should establish a timeline of changes, enabling each sector to play its role in reducing resource use against the headline goal.

## 5. Is the whole government behind the strategy for the long term?

England's 2018 resources and waste strategy was very much the project of Michael Gove, environment secretary at the time. Unlike other strategies published around that time, it did not receive backing from the top, with a prime ministerial foreword. Momentum floundered when Michael Gove left the department.

Current Environment Secretary Steve Reed is an early and genuinely enthusiastic champion of this new strategy. Key to its success will be ensuring that this enthusiasm is shared and the strategy is backed by the whole government.

Early signs are positive: a small ministerial group, with representatives from the environment, energy security, business, housing, and transport departments, as well as the Treasury, are involved in the strategy's development.

To succeed, the government must remain fully committed to delivery, and work closely with devolved administrations to ensure the circular economy delivers for the whole of the UK. As a starting point in Westminster, we believe long term actions should be assigned to different departments and an enduring cross ministerial group maintained to oversee delivery.

---

This briefing was produced by Green Alliance as part of our work programme for the Circular Economy Task Force. Members include:



With support from:

**I.M3**

Institute of Materials,  
Minerals & Mining

**For more information, contact:**

Libby Peake, senior fellow and head of resources policy, Green Alliance  
[lpeake@green-alliance.org.uk](mailto:lpeake@green-alliance.org.uk)

## Endnotes

<sup>1</sup> To learn more about Green Alliance's Circular Economy Task Force and its work, visit: [green-alliance.org.uk/project/circular-economy-task-force/](https://green-alliance.org.uk/project/circular-economy-task-force/)

<sup>2</sup> Green Finance Institute, 24 April 2024, [\*Assessing the materiality of nature related financial risks for the UK\*](#)

<sup>3</sup> The bank has developed a '[Circular Risk Scorecard](#)' to more realistically assess long term business risks as part of a planned long-term trajectory to integrate circularity into all risk models.

<sup>4</sup> Green Alliance, 2024, [\*Mission critical: safeguarding resources for UK energy\*](#)

<sup>5</sup> Green Alliance, 2023, [\*Ready steady grow: how the Treasury can mainstream circular business\*](#)

<sup>6</sup> UNEP, 2024, [\*Bend the trend: pathways to a liveable planet as resource use spikes\*](#)

<sup>7</sup> Green Alliance, 2024, [\*Measuring up: the potential of targets to reduce resource use\*](#)