

# Beyond traditional business: sustainability as a core strand in the economic recovery required after Covid-19

Green transition and circular economy

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Report by Lluís Reales, science specialist, health and environmental journalist and associate professor at the Autonomous University of Barcelona.

# DIPLOCAE



## Location

La Rambla 14, principal  
08002 Barcelona



## Contact

+34 936 405 470

[info@diplocat.cat](mailto:info@diplocat.cat)

[www.diplocat.cat](http://www.diplocat.cat)



[@CataloniaPD](https://twitter.com/CataloniaPD)



[@Catalonia\\_Diplocat](https://www.instagram.com/Catalonia_Diplocat)

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# 1. Introduction

The Covid-19 pandemic has shaken the world and unleashed a humanitarian, social and economic crisis of enormous dimensions, perhaps comparable to World War II. The pandemic, which has upset many of our day to day routines, has come about in a context of global ecological crisis: the degradation of natural ecosystems, climate change, overexploitation of wild species, the health effects of pollution...

The current situation poses many questions. To what extent does the pressure of humanity on the environment explain the origin of the pandemic? Is Covid-19 the harbinger of other global diseases to come unless we rethink our relationship to nature? Will the required economic recovery ignore the climate emergency or will it be an opportunity to promote a new circular economy and public policy (at EU, national, regional and local levels) based on principles of sustainability?

It is in that context that DIPLOCAT and the Advisory Council for Sustainable Development (CADS) of the Government of Catalonia have jointly organised the second debate in the DIPLOCAT Digital Talks Cycle - The world after Covid-19. The online debate took place on 29 June 2020 in English. The speakers were Eloïse Bodin, policy analyst at the Institute for European Environmental Policy (IEEP); Diego Guri, subdirector of the Multi-Industry Business Association (AMEC); and Llorenç Milà i Canals, head of the Secretariat for the Life Cycle Initiative of the United Nations Environment Programme. The Director of CADS, Arnau Queralt i Bassa, moderated the debate, whilst the Secretary General of DIPLOCAT, Laura Foraster i Lloret, opened and closed the event.

The debate focused on trying to decide whether the crisis produced by Covid-19 is an opportunity to develop a new economy based on principles of sustainability that includes all sections of society and the economy; and to identify the actions harnessed by the European Commission to promote the circular economy and new fiscal tools that would need to be created to channel development along new paths. In her opening remarks, Laura Foraster referred to the European Commission's Action Plan for a circular economy that brings together initiatives encompassing the entire lifecycle of products and proposes a whole series of measures to ensure its success. That plan was presented on 11 March 2020, at the very beginning of the pandemic, and Foraster wondered what impact the pandemic would have on the Plan and whether all stakeholders would realise the need to redouble their efforts to promote the circular economy with even greater vigour, rather than using it as an excuse to delay or sideline the circular economy.

There follows a summary of the main contributions to the debate.

## 2. Will the post-Covid world be different?

The Covid-19 pandemic has caused the death of thousands of human beings throughout the world. By the end of January 2021, more than 103.5 million infected people had been recorded and there were more than 2.2 deaths. The virus has been especially deadly in the elderly and in the most vulnerable social groupings. The economic and social effects have impacted the most fragile sectors of society, as happens at times of crisis. Lockdown and social distancing have led to unemployment, loss of purchasing power for the middle and lower classes and greater inequality.

Arnau Querlat, Director of CADS and the moderator of the debate, started proceedings with those thoughts and wondered whether it would be true to say, as it so often has been in recent months, that the world will be different after Covid-19.

“We’ll have to see,” was Queralt’s answer to his own question. The key for CADS’ Director is to follow principles of sustainability and change current ways of producing and consuming so as to ensure the birth of a net zero emissions circular economy that brings an end to the loss of biodiversity. Emerging from the crisis requires us to rethink our relationship with nature and build an economy at the service of humankind that takes due account of the planet’s biological and physical constraints.

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**It is not a question of following a policy of austerity in which we live like our ancestors, but rather of inventing a new system and building a better tomorrow.**

For Llorenç Milà, “we must take on board the message that the pandemic is sending us and take advantage of this opportunity.” What is the tacit message of the pandemic? That the continued degradation of natural ecosystems, the effects of climate change, deforestation and overexploitation of protected wild species are at the root of the public health crisis. We will see more pandemics like Covid-19 if we do not relieve the pressure on nature. For Milà, we cannot simply turn the page: the system that supported us is broken and does not work; we have unsustainable patterns of production and consumption that have brought us to where we are. It is not a question of following a policy of austerity in which we live like our ancestors, but rather of inventing a new system and building a better tomorrow.

### 3. The green transition and fairness

To move to an environmentally friendly economy and build a better tomorrow, the European Commission is moving forward with the European Green Deal, an initiative that seeks to combine the green transition with fairness and solidarity. Eloïse Bodin, researcher at the Institute for European Environmental Policy, believes that the initiative has great potential, but also believes that it is necessary to adopt measures with dual benefits and multiple effects. Let’s decarbonise the economy and reduce inequality at the same time. For example, free green public transport and at the same time promotion of social housing. She also said that the increase of the Just Transition Fund is positive, but she believes that it is very focused on traditional heavy industry and mining when there are other areas, like the automotive, aerospace and farming industries, in which the green transition will have a greater impact. In the future, we must think of the workers in those industries.

Eloïse Bodin said how surprised she had been during a meeting at the European Parliament. Some MEPs were talking about green austerity and the need for things to return to how they were before Covid, i.e. ‘business as usual’. They were overlooking the possible new jobs that could come from the green transition. In fact, the World Labour Organisation estimates that by 2030, more than 24 million new jobs will have been created if the right policies are in place. And that the European Union’s commitment to the circular economy may generate around 700,000 jobs, also by 2030. Alongside that, it is estimated that organic farming will lead to 10-20% more employment per hectare than conventional farming. And it has also been shown that industries related to renewable energy have been more resilient since the 2008 financial crisis. “These are the industries of the future,” said Bodin.

The recovery must be based on green principles and social solidarity, according to Bodin. Along those lines, the Institute for European Environmental Policy has proposed a recovery group at the European Union with expert assessors of the implementation of green principles and social solidarity. They have also proposed greater alignment between the EU’s economic policies, the Sustainable Development Goals (SDGs) and the EU’s Green Deal. There is a need for a more systematic approach that does not consider only the economic and financial sphere.

“We cannot know what will happen in the future or what new business models will look like,” said Llorenç

Milà, “but there are some good ideas on the table and a map to guide us.” And he added: “We have Agenda 2030 and the SDGs, the Paris Accords..., we have the tools to act, but we are not capable of imagining a new future, new social and economic models.” Milà referred to the book *Green Swans: The Coming Boom in Regenerative Capitalism*, by John Elkington. Green swans give us clues about new organisations, new values and ideas that challenge the old ones and that, for the economy to grow, need us to identify and incentivise them. Those green swans include renewable energy – which nobody had even thought of ten years ago – and artificial intelligence, which depending on how we use it could be the friend or the enemy of the green transition and social justice. “We have the knowledge and there are economic resources on the table, now we need firm, clear intent”, Milà concluded.

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**The European Union’s commitment to the circular economy may generate around 700,000 jobs, also by 2030.**

## 4. Strategy for business and model shift

What do multinationals think and how do they expect to adapt to the circular economy and the green transition? Diego Guri of AMEC explained that AMEC has more than 300 industrial company members that operate internationally. AMEC’s mission is to help its members to enter new markets. At the beginning of 2020 it expanded its activity beyond support for exports and improving the competitiveness of its members. AMEC wants on behalf of industry to be part of a positive, transversal and safe transition for people and the planet. AMEC believes that today the drivers of business competitiveness are foresight, adaptability, collaboration, glocalisation and sustainability. “We are completely aligned with the European Union’s actions”, said Guri.

The members of AMEC are providers of machinery, equipment and items for various industries: textiles, packaging, plastics and rubber, for construction and for the CD industry. They are all directly or indirectly affected by the EU’s plans for a circular economy. For example, in the case of the textile industry, manufacturers of machinery have to keep up with trends in shopping habits and the values of consumers and to innovate to make their machines ready for new materials, including recycled materials, as do manufacturers of packaging and plastics.

On the other hand, there are also businesses that are working on new equipment for cities. New infrastructure is needed to make mobility a service, moving away from the traditional model based on the private car. That means infrastructure that enables shared mobility and connects services and users. What are businesses doing to adapt to new demands? First, inculcating a culture of innovation by working together across different industries. For example, manufacturers of machinery for the food industry are exploring the health and care industry. Business is also working to determine implementation and measurement standards for the circular economy and to encourage meetings involving the private sector, community and other groups and government to discuss the SDGs. AMEC is committed to a new model of production that is viable for business. If the model is not economically sustainable, business will not engage with the circular economy or sustainability.

Llorenç Milà recognised that businesses are clearly in business to do business, but said that over the next few years we will see significant changes in the way we measure the success and benefits of business. Limitless growth is not possible on a planet with limited resources. Science has shown that and little by little we are realising that we need to be conscious of it.

We have to ask ourselves where to grow and rethink how we measure the success of the economy.

For Milà, the key is not just to look at the financial and economic side but also, and principally, to look at social capital and the preservation of natural capital. It is a question of balancing what we measure and to value other aspects of a business – not just the profit that it generates. We have indicators like Net Domestic Product, which we know is very limited and needs to be considered alongside other metrics that are being developed. “I don’t know if in the future we will talk about non-growth, of a static situation or growth in areas other than profit”, said Milà. In that sense, Bodin recalled that New Zealand prepares its annual budget using indicators that capture the wellbeing of the population. “That may become routine in the future”, he said.

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Diego Guri argued that Europe’s model of progress and competitiveness must be novel and different from the model for other parts of the world like the United States and Asia, led by China. To achieve that, we need to change paradigms around competitiveness. We cannot compete with Asia on labour cost, or with the United States, if we want to retain our existing rights and the welfare state. AMEC has drawn up a document on the keys to changing the model of production which is a list of initiatives aimed at different levels of government. One of those initiatives relates to a green and inclusive recovery. Consequently, it is clear that the task is not to return to the pre-pandemic situation. They do not say we should not intervene in situations of emergency, such as protecting workers in the travel industry and rescuing airlines. But there must be other measures in parallel and support for business to take on new models of competitiveness.

Let’s look at the plastic industry, for example. Before the pandemic, plastic was seen as a product made by the devil. Now we wear plastic gloves, we use plastic to protect food and we have plastic screens in the workplace to protect ourselves from the virus. Rather than demonising materials, we need to focus on their use, on managing waste and on recycling. Particularly because we do not have an alternative material to take its place, as Covid-19 has demonstrated. For that reason, they are proposing to different levels of government an action plan to improve the use of plastic, with positive measures. Business supports legislation, but there needs to be more than just higher taxes, which will only lead to higher plastic prices, according to Guri. We need to include raising awareness, education, investment in waste management and recycling, and in the promotion of research and innovation by business.

We often have the feeling that there are a lot of works but few deeds. For Guri, we must foster the business environment, taking account of the environment and society as a whole, but without forgetting that the ultimate purpose of a business is to do business. If we only adopt measures that increase costs, we are not helping business to invest in the new model that we need to follow. In reality, there are many private initiatives and businesses that are transforming their industries and feel very alone in their adventure. We need a Marshall Plan for Europe, but more important that the amount of money is where the money is invested. The private sector has the capacity to adapt if it is given incentives. In summary, there is a need for resources to promote the circular economy on a European scale, but also nationally, regionally and locally.

## Government’s responsibility

The Director of CADS, Arnau Queralt, recalled that the European Green Deal, which will be implemented through a range of measures, will need the approval of Member States in some cases. For Eloïse Bodin, the Green Deal is an extraordinary initiative, but it will be far from easy to implement. On the one hand, there are internal battles within the European Commission and vested interests in play. Frans Timmermans, Executive Vice-President, is very ambitious, but the Agriculture and Commerce Commissioners are holding him back as much as they can on some questions. On the other

hand, some Member States represent the principal difficulty. Bodin argued that direct links should therefore be established with local and regional tiers of government, which would be better suited than national governments to foster the green transition and the actions required to achieve it.

Llorenç Milà also underlined the importance of involving local government in the green transition: “It has been shown that they have a greater capacity to manage crises, possibly because they are so close to the issues.” He described the creation of an alliance of European mayors who are demanding direct receipt of some of the funds from the European Green Deal bypassing national governments, who are less ambitious when it comes to taking the steps required for the green transition.

In case, said Bodin, we have to find incentives to make the Member States ambitious. The key is for the Just Transition Fund to be seen as a truly green plan. In fact, some countries like the Czech Republic, have already shown interest in moving towards a green economy. Economic incentives are the formula to convince Member States, although Bodin was convinced that there will be issues and countermessaging from vested interests, and a great political battle among the Member States. But the facts show that there are solutions and growing support in society as a whole. Many people associate the green transition with less pollution and better quality of life. We saw that in the recent local government elections in France, where green parties did very well.

The challenge for the countries and regions of Europe, for Diego Guri, is to look forward and imagine what they want to be like ten years from now, from the perspective of sustainability and the circular economy. For example, if we look at Spain, it is urgent to reconfigure an economy that is excessively dependent on mass tourism. Guri said that he has nothing against tourism, but that now is the time to rethink Spain’s model of development. The reality is that the Commission is more committed and ambitious than most of the Member States. Certainly, in a process of change there will be winners and losers, but in Europe we have tools and mechanisms to protect and redirect affected sectors of the economy. In other parts of the world, however, the problem is greater because those tools and mechanisms do not exist.

The Covid-19 pandemic has given us an opportunity to transform the economy and to rethink how we organise ourselves as a society and our relationship to the planet. It is a responsibility of both government and business, but also a shared responsibility of the whole of society. “I don’t think that we’ll have more chances,” said Guri, “and we must be nimble and make the required investments without any more delay.”

## Life Cycle: a scientific view

The Director of CADS explained how science and our existing knowledge can contribute to the circular economy and the green transition on a just basis. Llorenç Milà also argued that the best strategy to advance is based on science. Large part of the credibility crisis of the political class is due to decisions being taken with no scientific basis for short-term reasons, going for the easy option.

The development of the circular economy needs solid foundations. In fact, the circular economy can be approached in different ways and we need to consider carefully which ways are best from an environmental and socio-economic point of view. Milà reminded us that the United Nations Environment Programme (UNEP) has been advocating its lifecycle initiative since 2002. The idea is

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view as a single whole our systems of production and consumption.

For example, when we talk about mobility it is not just a question of looking at cars on the road. We also have to think about how they are manufactured, the fuel they use, etc. A car with an internal combustion engine is very different from an electric car. We also need to take account of the end of life of vehicles and how to reuse and recycle the materials they are made from. Investment has to consider the whole lifecycle of a product, because the greatest impact can often be in the earliest and latest stages of its lifecycle.

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A lifecycle perspective, said Milà, makes it easier to identify priorities and opportunities. It also provides a snapshot of the environmental impact and potential social impact of systems of production and consumption. Consequently, if we look at things from the perspective of lifecycle, we can see the impact of emissions on climate change, water consumption, land use and its impact on biodiversity and nature, where pollution that may affect people's health comes from...

During the pandemic, said Milà, we have seen that places and populations that live in more polluted areas have been more vulnerable to the virus and have suffered greater mortality. In fact, a lifecycle perspective provides very contrasting tools. Milà referred to the Hotspot Analysis Tool for sustainable consumption and production. It is a tool that assesses the impact of lifecycle on national economies. It shows trends over the last 25 years in terms of carbon and other footprints, impact on biodiversity and efficiency in the use of resources. One of many conclusions that the tool produces is the very big footprint of the construction industry. That makes it a great window of opportunity. If buildings, particularly in developing countries, are designed in an environmentally innovative and energy efficient way, the footprint of the industry could shrink considerably over the coming years. And it is no less an opportunity for firms in the industry who develop a culture of innovation.

## New taxes

The reform of taxation is a key aspect to promote the circular economy and to move towards a sustainable model of production and consumption. Bodin explained that today environmental taxes represent 6.1% of total taxation in the European Union. Conversely, employment taxes represent 49.7%, a very high percentage. The European Union has said that it wanted to increase environmental taxes, something that would have a very positive impact. If environmental taxes are doubled, excluding carbon, that could generate revenue of €293 billion, or €1000 for each EU citizen. Elimination of subsidies to fossil fuels would represent an annual gain to the EU of €39 billion.

On the other hand, financial transaction taxes, a plastic tax and the so-called digital tax on the big internet companies could also be introduced. Europe needs resources to mitigate and adapt to the impact of climate change. There needs to be a pact for growth and a tax situation that does not mean growing the deficit. We also need to develop financial products based on socially responsible and green principles. Incentives for financial markets There needs to be a pact for growth and a tax situation that does not mean growing the deficit. We also need to develop financial to invest in businesses involved in the green transition are necessary.

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**A growth pact is needed and a fiscal scenario that does not increase the deficit. It is also necessary to develop financial products with social and green criteria.**

At the end of the debate, Arnau Queralt identified two of the principal challenges that today face human societies: how to evolve the idea of project into an idea of prosperity, and who that can be incorporated into the culture of businesses, and how to put sustainable development at the heart of the post-Covid economic recovery, so that recovery does not leave the weakest and the social groups with fewest resources behind. In summary, how to put the common interest ahead of private interests, where the interest of businesses or individuals.

# Annex. Participants

## > ELOÏSE BODIN

### POLICY ANALYST AT THE INSTITUTE FOR EUROPEAN ENVIRONMENTAL POLICY

Eloïse Bodin was trained in international business at the Grenoble School of Management and did a masters degree on European Political Economy at the London School of Economics. Before joining the Institute for European Environmental Policy she undertook work experience at the Directorate General for the Environment of the European Commission, in the economic and strategic analysis department. She has worked as head of environmental projects in non-governmental organisations in India and Italy. She has also worked as a parliamentary assistance in France's National Assembly.

## > LAURA FORESTER

### SECRETARY GENERAL OF DIPLOCAT

Laura Foraster i Lloret (Barcelona, 1976) has a degree in Business Administration and Management from Pompeu Fabra University and in Humanities from the Open University of Catalonia. She has a masters degree in European Studies, for which she studies at Leaven University and specialist training in public diplomacy and Election Observation Missions. She is currently General Secretary of DIPLOCAT. Until the temporary closure of the organisation in April 2018, she was its executive director.

She was Principal Secretary for the Minister for Innovation, Universities and Business and the Minister for Business, Tourism and Consumption of the Government of Catalonia in two successive parliaments, managing the Ministers' offices, and advising them on political issues and international and European Union affairs. Previously, she worked as a parliamentary assistant for a number of Catalan Members of the European Parliament in Brussels and Strasbourg, monitoring the Foreign Policy, Human Rights and International Relations Committees and the Shared Security and Constitutional Affairs Committees. In Brussels, she also worked in the European Commission, on the Committee for the Regions and the Delegation of the Government of Catalonia to the European Union.

## > DIEGO GURI

### SUBDIRECTOR GENERAL OF THE ASSOCIATION OF MULTINATIONAL INDUSTRIAL COMPANIES (AMEC)

David Guri graduated in Economic Sciences from the University of Barcelona and in Political Sciences from the Autonomous University of Barcelona. He also has a Masters in Thought and Creativity from the La Salle (Ramon Llull University).

He started his career at the Spanish Trade Office in Montreal, Canada. He then worked in the Americas Department of the Consortium for the Promotion of Trade with Catalonia (COPCA) and as Head of the International Cooperation Department at COPCA. In 2007, he took up the post as Director for the Internationalisation Centre at ACCIO, the agency that supports the competitiveness of Catalan business, a post that he occupied until 2013.

Since September 2013, he has been working at the Multi-Industry Business Association (AMEC) as Subdirector General with responsibility for the departments of Community Development and Corporate Innovation. AMEC is a community of internationally active industrial businesses that works on the key drivers of competitiveness: foresight, adaptability, collaboration, glocalisation and sustainability.

## > LLORENÇ MILÀ I CANALS

### HEAD OF THE SECRETARIAT FOR THE LIFECYCLE INITIATIVE OF THE UNITED NATIONS

Llorenç Milà has a doctorate in Environmental Sciences from the Autonomous University of Barcelona. Head of the Secretariat for the Lifecycle Initiative of the United Nations based in Paris. The Lifecycle Initiative is a partnership among different players launched in 2002 to raise awareness of lifecycle among public and private sector stakeholders. It brings together more than 80 institutions - governments, businesses, research and civil society groups - and hundreds of experts.

Llorenç Milà is attached to the Environment Department of the United Nations where he has been directing the Lifecycle working group since 2013. He had previously worked in the academic world and in industry. He is an expert in the application of Lifecycle in the world of business and public policy.

## > ARNAU QUERALT

### DIRECTOR OF THE ADVISORY COUNCIL FOR SUSTAINABLE DEVELOPMENT

Arnau Queralt i Bassa graduated in Environmental Sciences from the Autonomous University of Barcelona and has a Masters in Public Management from ESADE and Pompeu Fabra University. He has a diploma in European Studies from the Diplomatic School of the Spanish Ministry of Foreign Affairs.

He has been Director of the Advisory Council for Sustainable Development since October 2011 and President of the European Environment and Sustainable Development Advisory Councils Network (EEAC) since January 2015 and Co-President of its working group on sustainable development.

He is a member of the Group of Experts on Climate Change of the Union of the Mediterranean and member of the governing board of the Network of Mediterranean Experts on Climate and Environmental Change (MedCC). Member of the Working Group on the Sustainable Development Goals of the Assembly of European Regions.

# The member entities of the consortium

## » Public institutions and municipal entities

- Government of Catalonia
- Barcelona City Council
- Tarragona City Council
- Girona City Council
- Lleida City Council
- Vielha e Mijaran City Council
- Barcelona Provincial Council
- Tarragona Provincial Council
- Girona Provincial Council
- Lleida Provincial Council
- Conselh Generau d'Aran
- Catalan Association of Municipalities and Counties
- Federation of Municipalities of Catalonia

## » Entities of the business sector

- General Council of the Official Chambers of Commerce, Industry and Navigation of Catalonia
- Entrepreneurs association Foment del Treball Nacional
- Association of Micro-, Small and Medium-Sized Enterprises of Catalonia (PIMEC)
- Confederation of Cooperatives of Catalonia
- Multi-Sector Business Association (AMEC)
- Private Foundation of Entrepreneurs (FemCAT)

## » Entities of the social, trade union and sports sector

- The Group of Entities of the Voluntary Sector of Catalonia
- Trade union Unió General de Treballadors de Catalunya (UGT)
- Trade union Comissions Obreres de Catalunya (CCOO)
- Football Club Barcelona

## » Universities, business schools and academic institutions

- University of Barcelona (UB)
- Autonomous University of Barcelona (UAB)
- Technical University of Catalonia (UPC)
- Pompeu Fabra University (UPF)
- University of Lleida (UdL)
- University of Girona (UdG)
- Rovira i Virgili University (URV)
- Ramon Llull University (URL)
- Open University of Catalonia (UOC)
- University of Vic - Central University of Catalonia (UVic-UCC)
- International University of Catalonia (UIC)
- Abat Oliba CEU University (UAO CEU)
- Barcelona Institute of International Studies (IBEI)
- EADA Business School
- Barcelona Graduate School of Economics (Barcelona GSE)