

THE
FINANCIAL SECTOR
AS A DRIVER OF THE
**CIRCULAR
TRANSITION**



DIGEST

Roadmap Circular Finance 2030



Platform voor
**Duurzame
Financiering**

COLOPHON

The Dutch government has set itself the goal of achieving a fully circular economy by 2050. A goal that is becoming increasingly urgent all around the world, given the societal challenges we face, such as combating climate change and environmental pollution, and preserving biodiversity.

In the publication "The financial sector as a driver of the circular transition - Roadmap Circular Finance 2030", the working group Financing Circular Economy - under the Sustainable Finance Platform of the Dutch Central Bank - has come up with four concrete actions that the financial sector must undertake to become a lever and driver of the circular transition.

This document presents the roadmap and a summary of the publication. The full publication is available (in Dutch only).

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A comprehensive strategy for the financial sector -

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SUMMARY

- For the world to benefit from the advantages that a circular economy can deliver, circular business models need to secure financing. Therefore, the financial sector has a pivotal role to play.
- By 2030, circularity should be an integral part of how financing applications are assessed and directly inform investment decisions.
- To achieve this goal, the Circular Economy working group under the Sustainable Finance Platform of the Dutch central bank proposes four concrete actions:

ACTION 1 - Integrally assess linear and circular risks. Linear risk—the risk incurred by continuing to do business under the unsustainable assumption of infinite resources—must be explicitly included in financing decisions. Circular risk needs to be assessed more realistically by focusing (risk) models on the future and seeking assurances in future cash flows, long-term stability, chain cooperation and contracts.

ACTION 2 - Factor circular metrics into financing to increase transparency, to enable external verification and benchmarking, and to reduce greenwashing. Standardised circular metrics will lead to a level playing field in which circular activities (or lack thereof) become visible and accounted for in financing and investment decisions.

ACTION 3 - Gain experience by closing landmark deals and fine-tuning circular propositions for financing. Financing a company that explicitly pursues circularity and applies at least one new element of circular finance constitutes a landmark deal. Insights gained from the experience—like how best to measure circularity, how to weigh risks and opportunities and how financiers can structurally use this information—can be shared with the sector. This will produce standard and publicly available documentation to spur future deals.

ACTION 4 - Expand and optimise financing instruments to make circular financing the new business as usual. This means developing appropriate financing with more risk capital for early-stage circular companies. Blended finance, government funding and financial innovation also all play an important role in accelerating the timeframe within which this shift can happen.

- The financial industry depends on its customers, governments, regulators and supervisors. All of these players will need to create a shared understanding, work together, and move in tandem to ensure that circular finance is business as usual by 2030.
- By addressing the above actions together as a financial sector, we can make our sector a lever and driver of the circular transition.

Download the (DUTCH) publication here:



