



The UK Circularity Gap Report

Virtuous circles: how the circular economy can be a key driver of business growth

March 2023

EXECUTIVE SUMMARY

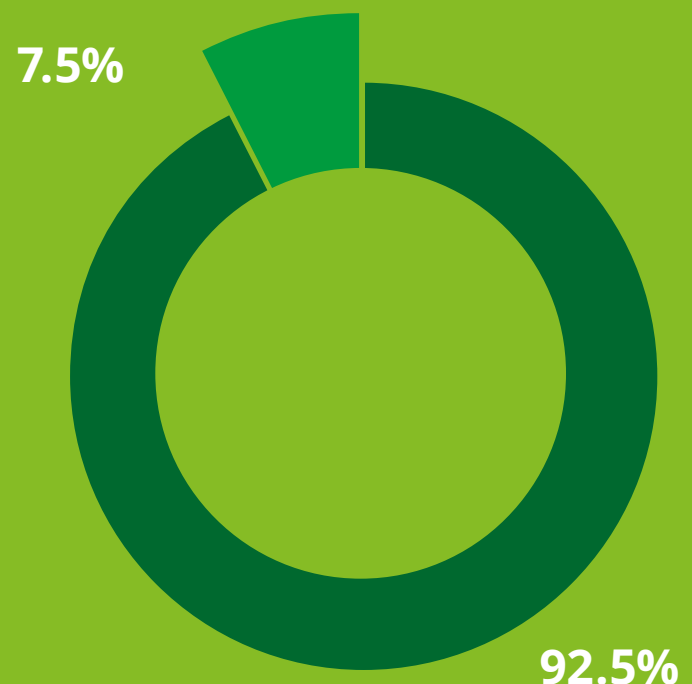
Embracing circular economy principles brings significant benefits for businesses. By adopting material efficiency and closed-loop systems, businesses can reduce costs while conserving natural resources and minimising waste and emissions. Additionally, circular practices can increase resilience by decreasing reliance on virgin resources and reducing exposure to price volatility and supply chain disruptions. Implementing a comprehensive circular economy package could add a total value of £75 billion to the UK economy, reduce 33 million tonnes of CO₂e emissions per year directly related to UK product consumption¹ and create up to half a million new job opportunities by 2030.²

The business opportunity is vast, as it can create new revenue streams by offering innovative products and services—such as product-as-a-service models. Repair and refurbishing services creates new jobs by increasing demand for skilled workers to repair and improve products. This not only extends product lifespan and reduces waste but also improves customer loyalty by providing sustainable and durable products. Ultimately, embracing circular economy principles can improve business performance, profitability, and competitiveness, while contributing to a more sustainable and equitable future.

The first UK Circularity Gap Report developed by Circle Economy in collaboration with Deloitte aims to:

01. Provide a **snapshot** of the UK's material flow and measure how circular its economy is.
02. Offer possible **interventions** for decision-makers within government and business to reduce and revamp both production and consumption patterns.
03. Outline significant **potential for organisations** to achieve corporate objectives, including value chain resilience, cost reductions, and net zero targets.
04. Set a **call to action** to inform future goal setting and agendas.

The report has shown that the UK **Circularity Metric sits at 7.5%—leaving a Circularity Gap of 92.5%**.³ This means that the vast majority of material inputs to the UK economy come from virgin sources.



1. WRAP (2020) How moving to a Circular Economy can help the UK to Build Back Better. Retrieved from: [WRAP resources](#)

2. WRAP and Green Alliance (2015), Employment and the circular economy: job creation in a more resource efficient Britain. Retrieved from [Green Alliance](#)

3. The UK Circularity Gap Report (2023) Available at: <https://www.circularity-gap.world/united-kingdom>

Virtuous circle: savings, resilience and competitive advantage

The application of circular principles offers significant potential for organisations to achieve corporate objectives, including value chain resilience, cost reductions, new sources of value and net zero targets. Becoming more circular is a challenge that requires engagement from functions right across the business—from operations to finance and logistics. But it also provides a unique opportunity to become more innovative, experimental and collaborative.

The current, predominantly linear, economy already poses risks for businesses—and these are only likely to increase over time. For example, supply chain risks, especially for some critical raw materials, are leaving businesses exposed.

The broader reality is that without the application of circularity principles it will be a challenge for most businesses to meet their net zero targets. Indeed, the long-term winners here will be those businesses able to see a way to derive profit from the new services, products and operating models that reduce material consumption. Those who act decisively stand to gain most by leading—rather than following—us into a more circular future.

Applying circularity across businesses

The circular economy has the potential to generate significant economic benefits, in turn helping to achieve the Sustainable Development Goals related to responsible consumption, production, and climate action. And yet, reducing waste and maximising the value of material inputs to the economy will not only result in reduced environmental pressures; it is also a sound economic strategy, delivering cost savings, driving productivity growth, spurring new regional value chains, and creating jobs (particularly in repair, refurbishing, and recycling).



The opportunity for the UK

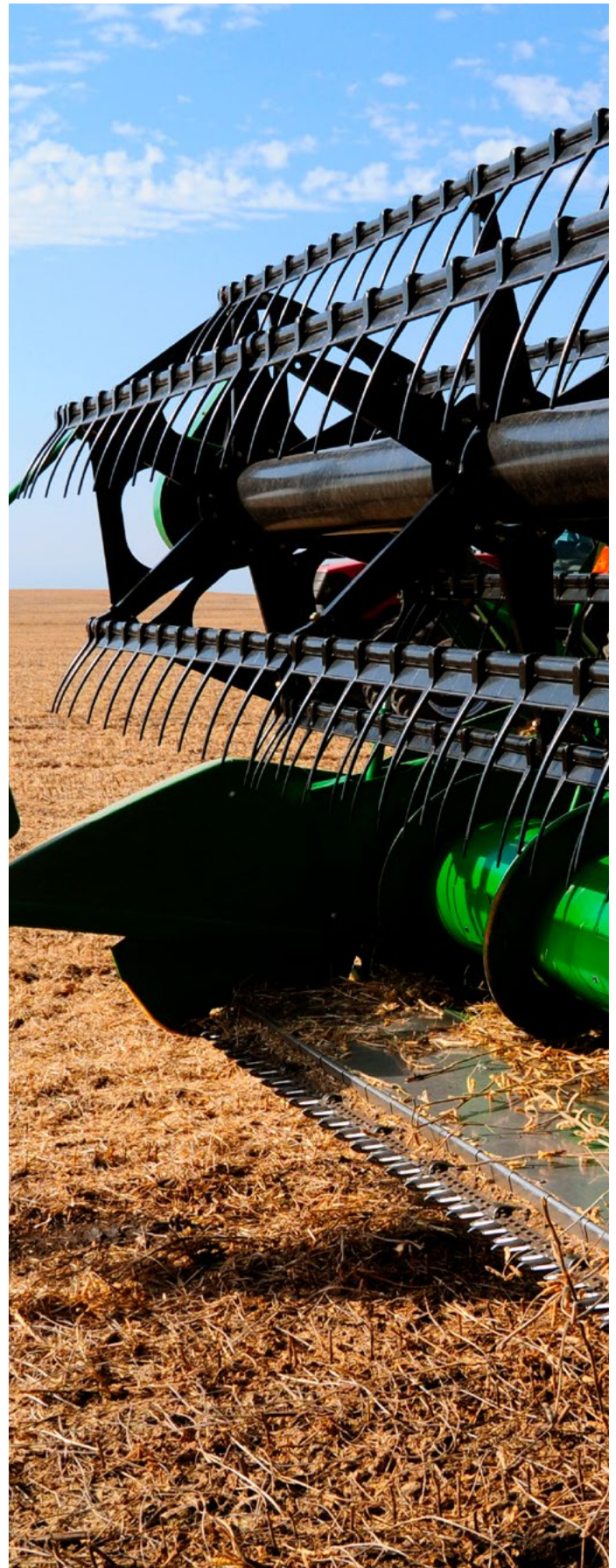
The Circularity Gap Report presents six scenarios that can help the UK significantly cut its material and carbon footprints, advance resource efficiency, and substantially increase material circulation in the economy. Bringing the country from theory to action in order to realise a circular economy will require a systemic shift. These six ‘what-if’ scenarios are:

- 01 Create a circular built environment
- 02 Shift to a circular food system
- 03 Champion circular manufacturing
- 04 Rethink transport and mobility
- 05 Welcome a circular lifestyle
- 06 Tackle the UK's import footprint

Individually, the scenarios would have a limited impact. But, **when combined, they can almost double the circularity metric, taking it from 7.5% to 14.1%**. This would have the power to cut the UK's material footprint by 40% and its carbon footprint by approximately 43% (lowering it to 424 million tonnes of CO₂e).⁴

By taking a structured approach to piloting and scaling the circular economy businesses can reduce the risk and improve the success of this transition and unlock the commercial and sustainability opportunity it presents.

4. The UK Circularity Gap Report (2023) Available at: <https://www.circularity-gap.world/united-kingdom>



The way ahead for a more circular UK

UK nations, regions, and local initiatives will play a key role in driving the transition, helping to promote and facilitate circularity. Thankfully, the UK already boasts a solid circular economy-related stakeholder ecosystem. Building upon these local initiatives and communities will be a crucial complement to top-down action. Collaboration across sectors and disciplines—together with the facilitation of clusters, incubation spaces and networks—will be needed in order to maximise the potential of existing and future initiatives.

To take the circular economy agenda forward, the report **recommends leadership and action** to:

- Create a national shared approach: develop an integrated and inclusive circular economy approach.
- Develop a set of indicators and targets: create a comprehensive set of indicators and targets to guide and embed the transition.
- Develop a circular economy policy framework: shape a level playing field through a fit-for-purpose policy framework.
- Upgrade product standards: enhance product standards to improve end-products as well as intermediate materials.

- Further enhance government buy-in: harness government power to drive action.
- Drive business transformation: encourage businesses in key sectors to lead from the front.
- Collective citizen-centric actions: ensure action is diverse and citizen-centric.

Moving forward, achieving all these objectives will require a systemic, holistic approach that goes far beyond recycling. If done in the right way, a circular economy can provide wider environmental, societal, and economic benefits. Overall, there is a huge opportunity for the UK—which is not to mention the potentially consequential risks of missing out.

The UK Circularity Gap Report can act as a tool for decision-makers—from policymakers through to business leaders. The UK is considered the frontrunner in climate action, having been the first major economy to set legally binding commitments to achieving net-zero emissions. It is also, by global standards, advanced when it comes to circular economy-related policy. However, there is now a need for a clearer vision, detailed strategy, and ambitious targets for reducing material consumption so that, together, we can enjoy the benefits of greater circularity.



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