

## **Policy Briefing: Boosting entrepreneurship through circular economy.**

YouthProAktiv is a coalition of young people dedicated to fostering a culture of proactivity and entrepreneurship in education and policy. This document was created to communicate to policymakers in a clear and concise manner the importance of supporting green and social entrepreneurship as a driving force behind the European Green Deal and the transition to a circular economy.

This policy briefing serves as a strategic instrument for conveying research findings and recommendations that aim to empower green and social entrepreneurs. The primary objective is to advocate for comprehensive support systems that enable these entrepreneurs to contribute effectively to the EU's sustainability goals. This briefing is meticulously crafted to elevate awareness among stakeholders, including policymakers, businesses, and civil society, through a qualitative and expert-driven approach.

### **Summary of key messages and policy recommendations**

With this policy briefing, YouthProAktiv highlights the critical role of green and social entrepreneurship in advancing the European Green Deal and the transition to a circular economy. Despite the progress made through comprehensive EU legislative frameworks, there are still significant challenges that green and social entrepreneurs face, including financial barriers, regulatory complexities, and skill gaps.

Our policy recommendations focus on the need for enhanced financial support, streamlined regulations, capacity building, and stronger public-private partnerships. Additionally, we emphasize the importance of fostering innovation and raising consumer awareness to drive demand for sustainable products and practices. These proposals are designed to equip green and social entrepreneurs with the tools and resources necessary to contribute effectively to the EU's sustainability goals and to actively participate in the green transition.

## **1. Introduction**

The European Union is making notable progress toward its climate and environmental goals, as highlighted in the March 2024 Commission Report on the 8th Environment Action Programme Mid-Term Review. For example, EU domestic net greenhouse gas (GHG) emissions fell by 32.5% in 2022 compared to 1990 levels. However, to meet the 2030 target of reducing GHG emissions by at least 55% and achieving climate neutrality by 2050, accelerated action is crucial.<sup>1</sup>

Challenges persist, with the EU's material footprint reaching 14.8 tonnes per capita in 2022—a 6% increase over the last decade—and plastic packaging waste rising by over 20%, reaching

36 kg per person in 2021. Despite higher recycling rates, only 11.5% of materials re-entered the economy as recycled goods in 2022.<sup>2</sup>

In response, the European Green Deal, launched in 2019, aims to set Europe on a path to sustainable and inclusive growth, with the goal of becoming the first climate-neutral continent by 2050.<sup>3</sup> A critical aspect of this strategy is the development of a circular economy, which seeks to extend the life cycle of products, reduce waste, and foster sustainable economic opportunities.

Entrepreneurship plays a pivotal role in this transition, particularly through the social economy. Social enterprises, by prioritizing social and environmental impact over profit, are driving innovative business models that maximize resource efficiency, create local jobs, and contribute to the circular economy.<sup>4</sup> These entrepreneurial ventures are essential to achieving the ambitious goals of the European Green Deal, as they bring innovative solutions that align economic growth with environmental sustainability.

## 1.1 Key Definitions

For the purposes of this policy briefing, it is essential to clearly define the key terms that are foundational to our discussion. Given the focus on promoting entrepreneurship within the framework of the European Green Deal and the circular economy, it is important to clarify that when we refer to “entrepreneurship”, we specifically mean social entrepreneurship. More concretely, this document focuses on entrepreneurial activities that align with environmental and sustainable objectives. The following definitions provide a shared understanding of the concepts central to our recommendations and analysis:

- **Circular Economy:** A sustainable economic system designed to minimize waste and maximize the use of resources by extending the lifecycle of products through reuse, recycling, and regeneration of natural ecosystems. This approach reduces environmental impact and fosters local job creation.<sup>5</sup>
- **Social Economy:** Organizations that operate with a primary focus on social and environmental goals rather than profit, contributing significantly to the circular economy through initiatives like recycling, repair, and sustainable product development.<sup>6</sup>
- **Social Entrepreneurship:** The practice of creating and managing ventures that address social and environmental challenges, with an emphasis on innovation and sustainability. These ventures, often termed social enterprises, blend entrepreneurial principles with a mission to drive positive societal change.<sup>7</sup>
- **Green Entrepreneurship:** The creation of new businesses that develop products, services, or processes aimed at reducing environmental harm. These enterprises focus on innovation in areas such as clean energy, waste management, and resource efficiency, aligning profitability with ecological responsibility.<sup>8</sup>

## 2. The New Green Deal Framework: A Comprehensive Analysis

In December 2019, the European Commission introduced the European Green Deal (EGD), marking a transformative shift in the EU's approach to sustainable development. This ambitious initiative aims to position Europe as the first climate-neutral continent by 2050, with a modern, resource-efficient economy where economic growth is decoupled from resource use. The EGD is not just an environmental policy; it is a comprehensive growth strategy designed to foster a fair and prosperous society, balancing economic advancement with ecological responsibility.<sup>9</sup>

The European Green Deal serves as the EU's strategic compass, outlining eight key goals that are critical to achieving its vision:

- Climate Ambitions: Enhancing climate action to achieve net-zero greenhouse gas emissions by 2050.
- Clean, Affordable, and Secure Energy: Transitioning to renewable energy sources while ensuring energy security.
- A Clean and Circular Economy: Promoting sustainable consumption and production patterns by minimizing waste and encouraging the reuse and recycling of materials.
- Energy and Resource Efficiency: Maximizing efficiency in energy and resource use across sectors.
- Zero Pollution and a Toxin-Free Environment: Reducing pollution levels to protect human health and biodiversity.
- Preserving and Restoring Ecosystems and Biodiversity: Protecting and restoring natural habitats to enhance ecosystem resilience.
- Fair, Healthy, and Environmentally Friendly Food Systems: Establishing sustainable food systems that ensure access to nutritious food while protecting the environment.
- Sustainable and Smart Mobility: Developing transportation systems that reduce emissions and enhance connectivity.

At the core of the European Green Deal is the concept of the “twin transition”, as articulated by European Commission President Ursula von der Leyen in 2019. This dual transition emphasizes the need to simultaneously decarbonize and digitalize the economy, recognizing that these transformations are interdependent and mutually reinforcing.<sup>10</sup> The EGD not only addresses climate change but also positions the EU to remain competitive in a rapidly evolving global economy by embracing technological innovation alongside environmental sustainability.

To operationalize these goals, the European Green Deal introduces a robust framework that includes regulatory measures, financial mechanisms, and stakeholder engagement strategies. One of the most significant regulatory steps is the adoption of the European Climate Law, which was passed by the European Parliament on 24 June 2021. This law legally binds the EU to reduce greenhouse gas emissions by 55% by 2030 compared to 1990 levels and achieve climate neutrality by 2050.<sup>11</sup> By embedding these targets into law, the EU ensures that its climate ambitions are enforceable and aligned across all legislative actions, leading to tangible benefits such as cleaner air, water, and soil, reduced energy costs, and improved public health outcomes.<sup>12</sup>

The Green Deal's regulatory measures also include the expansion of the EU Emissions Trading System (ETS), extending its scope to the maritime sector and gradually reducing free allowances for airlines. Additionally, the introduction of a Carbon Border Adjustment Mechanism (CBAM) aims to prevent carbon leakage by ensuring that imported goods meet the EU's climate standards. These steps are complemented by a strategy for green financing, which supports the transition to a sustainable economy by mobilizing public and private investments.<sup>13</sup>

The Green Deal also emphasizes the importance of stakeholder engagement and consensus-building. The European Climate Pact, a key component of the EGD, fosters dialogue and collaboration among regional and local authorities, civil society, industry, and educational institutions.<sup>14</sup> This participatory approach ensures that the transition to a climate-neutral economy is inclusive and reflects the diverse needs and perspectives of all European citizens.

## 2.1 Towards the New Green Deal Implementation

To advance the European Green Deal and achieve its ambitious objectives, the European Commission has introduced several pivotal policy and strategy frameworks. Among these, four key initiatives play a central role in guiding this transformative agenda:

### **Circular Economy Action Plan (COM(2020) 98 final): Building a Cleaner and More Competitive Europe<sup>15</sup>**

Launched on 11 March 2020, the Circular Economy Action Plan is a critical component of the European Green Deal. This plan emphasizes the importance of integrating circularity into the broader strategy for achieving climate neutrality and enhancing long-term economic competitiveness. The plan is organized around three core pillars:

- Developing a sustainable product policy framework that empowers consumers and public authorities to make environmentally responsible choices.
- Setting sustainability standards for critical sectors such as electronics, ICT, batteries, vehicles, packaging, textiles, construction, and the food industry.
- Implementing robust policies to minimize waste and promote resource efficiency.

The Action Plan aims to embed sustainability into product design across the EU, fostering circular economy practices that keep resources within the European market for as long as possible. By driving systemic change, this plan supports the transition to a climate-neutral, innovative, and resilient economy.

### **Long-term Competitiveness of the EU: Looking Beyond 2030<sup>16</sup>**

This strategic communication, issued in March 2020, outlines the vision for enhancing the EU's long-term competitiveness. It focuses on sustainable growth, economic resilience, and strategic autonomy. The strategy identifies nine key drivers of competitiveness, with circularity as a central theme. By embracing a circular economy, the EU can reduce its dependency on raw materials, decrease waste, and increase resource productivity. This approach not only fosters

innovation and job creation but also strengthens the EU's economic security and reduces its reliance on critical resources.

### **A New Industrial Strategy for Europe:**

The New Industrial Strategy, introduced in March 2020, outlines priorities for supporting Europe's transition to a green and digital economy. The strategy focuses on:

- Creating a supportive business environment: This includes developing a resilient regulatory framework, enhancing infrastructure, facilitating access to innovation financing, and securing essential raw materials. It also emphasizes the integration of circular economy principles and the importance of clean energy.<sup>17</sup>
- Investing in skills development: The strategy underscores the need to equip the workforce with the necessary skills to drive and sustain green and digital transformations, in line with the European Skills Agenda.<sup>18</sup>

## **2.2 Funding Mechanisms**

To effectively implement the European Green Deal, the European Commission launched the Green Deal Investment Plan, also known as the Sustainable Europe Investment Plan<sup>19</sup>, in January 2020. This comprehensive plan blends legislative and non-legislative initiatives to finance the transition towards climate neutrality. The plan is anchored by three primary objectives:

- Mobilizing Financial Resources: The Commission aims to generate at least €1 trillion in sustainable investments between 2020 and 2030. This ambitious goal is designed to attract substantial public and private capital to drive the transition to a climate-neutral economy.
- Establishing an Enabling Framework: The plan includes a strategic mix of regulations and incentives to ensure that investment decisions across all sectors align with sustainability goals. This framework is crucial for directing financial flows towards the objectives of the European Green Deal.
- Providing Support and Advisory Services: The plan also offers technical support and advisory services to public administrations and project promoters, facilitating the successful implementation of sustainable projects.

A pivotal element of this plan is the Just Transition Mechanism (JTM)<sup>20</sup>, which is designed to cushion the socio-economic impacts of the green transition on the most affected workers and communities. The JTM aims to mobilize approximately €55 billion between 2021 and 2027, specifically targeting regions that are particularly vulnerable to the transition. This mechanism ensures that the move towards a climate-neutral economy is equitable and inclusive.

Additionally, 30% of the EU's multiannual budget (2021-2028) and the NextGenerationEU recovery instrument<sup>21</sup>, established in response to the COVID-19 pandemic, are earmarked for green investments. Moreover, under the €672.5 billion Recovery and Resilience Facility (RRF)<sup>22</sup>, EU countries are required to dedicate at least 37% of their funding to climate-related investments and reforms. The RRF prioritizes environmental and climate goals, providing

substantial financial support for projects related to renewable energy, energy efficiency, sustainable infrastructure, biodiversity conservation, and circular economy initiatives. Green entrepreneurs can leverage this funding to advance eco-friendly projects and innovations.

Beyond these major funding avenues, several other mechanisms support green entrepreneurship and sustainable development across Europe:

- EEA Grants: Funded by Iceland, Liechtenstein, and Norway, these grants support economic, social, and environmental development in 15 European Economic Area (EEA) countries. Green entrepreneurs can access grants for projects that promote sustainable development, such as renewable energy, energy efficiency, and waste reduction.
- Norway Grants: These grants, funded by Norway, target economic and social disparities in 15 Central and Southern European countries. They prioritize environmental protection and sustainable development, offering financial support for renewable energy, eco-tourism, climate adaptation, and eco-innovation projects.
- The European Social Fund Plus (ESF+): Although not specifically focused on green entrepreneurship, ESF+ grants indirectly support the green economy by enhancing workforce skills in environmentally friendly sectors. Green businesses can collaborate with ESF+ to train employees in sustainable practices and technologies.

### **Part 3: Entrepreneurship, the New Green Deal, and the Circular Economy**

The European Green Deal is a comprehensive strategy that involves both top-down policies and grassroots initiatives to achieve climate neutrality by 2050. As outlined in previous sections, this ambitious agenda is driven by the need to decouple economic growth from resource use and to transition towards a circular economy that supports sustainability and resilience. Central to this effort is the role of entrepreneurship, particularly in the green and social sectors, which acts as a key catalyst in advancing these goals.

#### **3.1 The Circular Economy: Benefits and Opportunities**

As discussed earlier, the circular economy is fundamental to the European Green Deal's vision for sustainable development. The Circular Economy Action Plan emphasizes the need to mainstream circular practices across all economic sectors, aiming to reduce waste, lower greenhouse gas emissions, and improve resource efficiency.<sup>23</sup> The shift towards a green economy presents an opportunity to expand sustainable economic activity and create jobs, driving significant benefits for the EU's long-term resilience.<sup>24</sup>

Economically, the circular economy enhances stability by promoting resource efficiency, reducing dependency on raw material imports, and creating local employment opportunities.<sup>25</sup> It also helps stabilize resource prices and mitigate the risks associated with material supply volatility, thereby strengthening the EU's economic base.<sup>26</sup>

Environmentally, the circular economy is vital in reducing natural resource extraction, lowering greenhouse gas emissions, and minimizing waste production.<sup>27</sup> These practices are essential for decreasing the EU's material footprint, which currently exceeds sustainable levels, and are critical for meeting the Union's climate targets.<sup>28</sup>

Socially, the circular economy contributes to inclusion by generating employment and actively engaging citizens in sustainable practices.<sup>29</sup> Social economy organizations, through their local networks and collaborative methods, play a pivotal role in implementing circular initiatives that ensure the green transition is fair and inclusive. These organizations bridge the gap between economic activities and social needs, making the transition more accessible and equitable.<sup>30</sup>

Moreover, the shift towards a circular economy unlocks new business opportunities. By encouraging the creation of products designed for durability, repairability, and recyclability, the circular economy drives innovation and opens markets for business models centred on renting, sharing, and leasing services, which add significant economic value.<sup>31</sup>

### **3.2 Entrepreneurship: Catalysing the Circular Economy**

Building on the foundations laid out in the previous section, it is clear that entrepreneurship, especially within the green and social sectors, plays a vital role in driving the circular economy forward. As previously mentioned, the success of the European Green Deal depends not only on policy frameworks but also on the ability of entrepreneurs to translate these goals into actionable, market-driven solutions.

Green entrepreneurs are instrumental in transforming markets by embedding sustainability into the core of their business models. By developing products and services that minimize environmental impact, these entrepreneurs directly contribute to the circular economy's objectives of reducing waste, enhancing resource efficiency, and lowering greenhouse gas emissions. The sustainable practices they adopt lead to long-term cost savings through improved energy efficiency and waste management, positioning these businesses competitively in markets increasingly driven by eco-conscious consumers.<sup>32</sup>

Moreover, the integration of sustainable practices into business operations has substantial benefits. Entrepreneurs who focus on energy efficiency and waste reduction often see significant cost savings, improved market positioning, and stronger brand loyalty among customers who prioritize sustainability. These advantages make green entrepreneurship a sound business strategy in an economy increasingly focused on sustainability.<sup>33</sup>

Social entrepreneurs are equally crucial in ensuring that the transition to a circular economy is inclusive and equitable. As discussed earlier, social economy organizations have long been pioneers in circular practices, particularly in sectors such as electronics, food, and textiles. Their business models, which prioritize social and environmental goals alongside economic ones, are especially well-suited to scaling circular practices while addressing social needs.<sup>34</sup> By engaging local communities and stakeholders, social entrepreneurs ensure that the benefits

of the circular economy are widely distributed and that vulnerable groups are not left behind in the transition.

The 4Rs model—Regenerate, Reduce, Reuse, and Recycle—serves as a framework through which social economy organizations contribute to the circular economy. As previously mentioned, these organizations have been leaders in applying this model across various sectors. They develop nature-based solutions that restore ecosystems, apply eco-design principles to optimize resource use, extend product lifespans through repair and remanufacturing, and engage in recycling activities to recover valuable materials.<sup>35</sup> These efforts not only support the goals of the European Green Deal but also provide a blueprint for sustainable economic activity that can be replicated and scaled across different industries.

Furthermore, green entrepreneurship plays a broader role in advancing environmental objectives, such as climate change mitigation, adaptation, and resilience-building. The adoption of sustainable business models helps drive biodiversity conservation, create climate-friendly industries, and generate sustainable employment opportunities. The benefits of green innovation extend beyond the environment, enhancing business performance through cost savings, improved logistics, and stronger reputational standing—advantages that contribute to business resilience and reduced risk.<sup>36</sup>

#### **4. Policy Recommendations: Empowering Green and Social Entrepreneurs to Drive the Circular Economy**

The European Green Deal envisions a transformative shift towards a sustainable and inclusive economy, with the circular economy playing a central role in this transition. Green and social entrepreneurs are vital actors in this process, bringing innovative solutions to the forefront and driving the adoption of sustainable practices across industries. However, to fully harness the potential of these entrepreneurs, there must be a supportive policy framework that addresses the unique challenges they face and enables them to thrive.

As highlighted in earlier sections of this briefing, green and social entrepreneurship is not just about creating new businesses; it is about fostering systemic change that aligns economic activities with environmental sustainability. These entrepreneurs are at the nexus of innovation, social impact, and economic resilience, and their success is critical to achieving the ambitious goals of the Green Deal.<sup>37</sup>

Nevertheless, green and social entrepreneurs often encounter significant obstacles, including financial constraints, regulatory complexities, and skill gaps. These challenges can hinder their ability to scale their operations, adopt new technologies, and contribute effectively to the circular economy. Therefore, policymakers face a fundamental question: How can we create a policy environment that not only removes these barriers but also actively supports green and social entrepreneurs in driving the circular economy forward?

To address this question, we present six key policy recommendations:



### **A. Enhance Financial Support and Incentives for Circular Economy Initiatives:**

The growth of green and social enterprises often hinges on access to adequate financial resources. To this end, we recommend that the European Commission and Member States prioritize the creation of tailored financial instruments, including grants, low-interest loans, and impact investments, specifically designed for circular economy projects.<sup>38</sup> By providing robust financial support and de-risking investments, we can catalyse private sector involvement and accelerate the growth of sustainable businesses across the EU. Additionally, introducing tax incentives, such as reduced VAT rates on reused and repaired products, will further encourage the adoption of circular business models, making sustainable practices more financially viable for entrepreneurs.<sup>39</sup>

### **B. Strengthen Capacity Building and Skills Development:**

To ensure that green and social entrepreneurs can effectively contribute to the circular economy, it is essential to invest in comprehensive training programs that equip them with the necessary skills and knowledge. We advocate for the enhancement of capacity-building initiatives, particularly within social economy organizations that provide training and work integration services.<sup>40</sup> By creating spaces for dialogue among policymakers, businesses, and social economy entities, we can better anticipate skills needs, facilitate job transitions to circular activities, and prepare the workforce for the demands of the green transition.

### **C. Simplify Regulations and Promote Local Solutions:**

A supportive regulatory environment is crucial for the success of green and social enterprises. We call on policymakers to streamline and simplify existing regulations that may hinder the growth of these businesses. By reducing bureaucratic barriers and empowering local governments to develop policies that support circular economy actions at the community level, we can create a more conducive ecosystem. This localized approach allows for solutions tailored to specific regional needs, ensuring that the benefits of the green transition are widely distributed and that local innovations can flourish.<sup>41</sup>

### **D. Foster Innovation and Business Development:**

Innovation is the engine that drives the circular economy, and it is essential that green and social entrepreneurs are at the forefront of this movement. We emphasize the importance of supporting innovation hubs, incubators, and pilot projects that encourage experimentation with new circular business models. By fostering an environment where high-potential projects can be tested, refined, and scaled, policymakers can accelerate the adoption of circular practices across industries. Additionally, creating dedicated spaces for social innovation will enable entrepreneurs to explore new sectors and value chains within the circular economy, driving further economic and environmental benefits.

### **E. Enhance Public-Private Partnerships and Collaboration:**

Collaboration between public and private entities is key to advancing the circular economy. We recommend that policymakers facilitate the formation of public-private partnerships that leverage the strengths of different sectors to drive circular innovation.<sup>42</sup> This includes reinforcing partnerships between mainstream businesses and social enterprises, as well as engaging research institutes and public authorities in the development of circular solutions. Such collaborations will help create markets for circular products and business models,

ultimately contributing to the long-term competitiveness of the EU economy and ensuring that sustainable practices become the norm.

### **F. Engage Consumers and Raise Awareness:**

The success of the circular economy depends not only on the actions of businesses but also on consumer behaviour. We urge policymakers to implement strategies that effectively engage consumers in the benefits of circular products and practices. This involves using insights from social science research to understand the drivers and barriers to behavioural change and creating compelling narratives around the advantages of circular products in terms of cost, health, and environmental impact. By promoting awareness and encouraging behavioural change, we can ensure that the demand for circular products continues to grow, supporting the overall objectives of the Green Deal.

## **Conclusions**

The European Green Deal marks a critical step towards achieving climate neutrality by 2050, setting the foundation for a sustainable and inclusive economy. While significant progress has been made, particularly with the establishment of a robust legislative framework, the real impact will depend on the effective implementation of these policies.

Green and social entrepreneurs are central to this transformation. Their innovative approaches and commitment to sustainability drive the circular economy forward, aligning economic activities with environmental goals. However, for these entrepreneurs to truly thrive, they need a supportive environment that addresses financial barriers, regulatory challenges, and skill gaps.

The urgency of the climate crisis presents a unique opportunity to invest in the clean energy economy, creating jobs and revitalizing industries while supporting global decarbonization efforts. As demand for sustainable products grows, market opportunities for green entrepreneurs will expand, further driving the transition to a green economy.

Ultimately, the success of the European Green Deal depends on collective action. By fostering an enabling environment for green and social entrepreneurs, policymakers can ensure that the vision of a decarbonized, resilient, and inclusive Europe becomes a reality. The path forward requires continued collaboration, innovation, and commitment to sustainability, paving the way for a prosperous and sustainable future for all.

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<sup>2</sup> European Commission. (2024). Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the 8th Environment Action Programme Mid-Term Review {SWD(2024) 60 final}. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52024SC0060>

<sup>3</sup> European Commission. (2019). Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions The European Green Deal: COM (2019) 640 final. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2019%3A640%3AFIN>

<sup>4</sup> European Commission. (2021). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Building an economy that works for people: an action plan for the social economy {SWD(2021) 373 final}. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021DC0778>

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<sup>20</sup> See [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism_en)

<sup>21</sup> See [https://commission.europa.eu/strategy-and-policy/eu-budget/eu-borrower-investor-relations/nextgenerationeu\\_en#nextgenerationeu-reporting](https://commission.europa.eu/strategy-and-policy/eu-budget/eu-borrower-investor-relations/nextgenerationeu_en#nextgenerationeu-reporting)

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