

Leather and the circular economy



Leather uses renewable raw materials



Waste from other sectors (meat and dairy) is the input for making leather



The material is long-lasting



Leather products are eminently repairable



Leather is in keeping with sustainable consumption and sustainable production and, thus, supports the UN's Sustainable Development Goals (SDGs)



Use of leather aids the battle against marine pollution, also part of the SDGs



The leather industry opens up pathways into the circular economy for companies of all sizes, including many thousands of small and medium enterprises



Leather content fulfils finished product manufacturers' desire to use recycled material



Finished products made from leather will meet criteria for green tax relief and for green procurement exercises



Leather manufacturing supports green employment commitments

Ten arguments that make clear leather's connection to the circular economy. CREDIT: WTP/FLATICON

The transformation continues

We launched the dedicated Leather and the Circular Economy section in the December 2019-January 2020 issue of *World Leather* after concluding that a set of policy issues that the European Commission had unveiled, under the title The European Green Deal, makes leather's place in the circular economy discussion unquestionable. This is in spite of the Commission's December 2019 document, explaining The European Green Deal, making no mention of leather. From the ideas this set of policies lays out, we compiled our list of ten reasons, each with its own icon, why leather and the circular economy are a perfect match.

Stories from across the industry that confirm the truth of this abound. So far in 2020, we have published more than 20 of these in-depth articles, some showing the thought leadership involved in claiming leather's place at the circular economy table, others outlining the case studies, the circular stories, that the global leather sector already has to share and hold up as examples to others. There are hundreds more to bring you, each providing proof that the ten criteria are valid.

The need to re-evaluate

However, no one could deny that life and business as we know them suffered serious set-backs in the first half of

The entire world is being rocked by the effects of covid-19 pandemic, but the European Commission wants to press ahead with its plans for a move to a circular economy. It is willing to make extra funding of €750 billion available to help make this happen.

2020 as a result of the covid-19 pandemic. Companies the world over have had to re-evaluate the plans they had for this year and beyond, and so has the European Commission with its circular economy proposals. It published a new document at the end of May, calling it "a new recovery instrument". Its name is Next Generation EU. This is subject to approval by all 27 European Union (EU) states and it is no secret that some of the 27 have already raised questions about the economic implications, but the proposals are real and there is a good chance that they will become reality.



High-quality leather from sheepskin at a glovemaking factory in Millau in France. The latest European Commission document to talk about the circular economy proposes an Action Plan on Critical Raw Materials, with a reduction in the dependency on materials from fossil fuels as one of its priorities. There is one wonderful alternative staring policy makers in the face: leather.

CREDIT: PHILÉMON D'ANDURAIN

Extra financial firepower

Next Generation EU aims to add funding of €750 billion to the existing budget proposals to bring what the new document calls “total financial firepower” of €1.85 trillion for putting its programmes into practice. The extra €750 billion will come from money the European Commission will borrow from capital markets. On presenting the proposal, Commission president, Ursula von der Leyen, emphasised that this is an “ambitious answer” to the challenge presented by covid-19. She said: “The recovery plan turns the immense challenge we face into an opportunity, not only by supporting the recovery but also by investing in our future: the European Green Deal and digitalisation will boost jobs and growth, the resilience of our societies and the health of our environment. This is Europe’s moment.” Therefore, the European Green Deal, with its commitment to moving the EU economy to a circular model, will survive covid-19. In fact, the document says at one point that the Green Deal is the EU’s recovery strategy and it insists that there will be a “full implementation” of a Circular Economy Action Plan it announced in March 2020 on the back of the Green Deal. To avoid any doubt, the number of times the Circular Economy Action Plan mentions leather is zero.

Implications for leather

Our purpose with this article is to examine what Next Generation EU says about the promised new policies and to see what implications the new document and the Circular Economy Action Plan have for our ten Leather and the Circular Economy criteria.

The EU remains the world’s largest single market and it is one

that countries and companies the world over want to trade with. EU-based companies manufacture products that are in demand globally and there are good examples of this in which the leather industry plays an important part, among luxury and automotive brands most obviously. The EU also has a track record of establishing product standards, including on environmental and social responsibility, that organisations have sought to emulate globally. In other words, what the EU says and does often has an impact in many other parts of the world.

If Next Generation EU receives approval for the extra €750 billion in funding (the European Commission hopes to secure that approval this July), member states that have been severely affected by covid-19 and whose per capita gross domestic product is below the EU average (around €27,500) stand to be the main beneficiaries, especially as most of the money, €500 billion, will be grants that do not have to be repaid, with the rest coming in the form of loans that will have to be paid back. Italy stands to gain to the tune of €56.7 billion over the seven years, Spain by €82.2 billion, Portugal by €20.1 billion, Greece by €33.4 billion, Poland by €36 billion and Romania by €21 billion.

On the other hand, Germany stands to be a net contributor to the tune of €133.3 billion, France by €52.3 billion and the Netherlands by €31 billion. Sweden, Austria, Belgium and Denmark will also be net contributors to the fund of between €16 billion and €12 billion each. It should be easy to guess from this which countries most of the dissenting voices are coming from. However, Ms von der Leyen has been at pains to point out that if the whole EU economy were to collapse, the givers as well as the takers would lose out and suffer. Furthermore, how the money is allocated will depend on what recipient countries want to do with it. The Commission says it will keep close control over where the money goes. The projects that are successful in receiving a share of the Next Generation EU billions will be those that can help the whole of the EU and beyond.

Good news for good manufacturers

This is where the Green Deal comes back into the story. Programmes that create more green jobs, boost digital skills and promote the circular economy are going to take priority. It will come as a shock to no one to learn that the Next Generation EU document carries the same number of mentions of leather as the 2019 document explaining The European Green Deal and the Circular Economy Action Plan, which is to say zero. However, it seems clear to us that there is, potentially, some good news here for European manufacturers of leather and of finished products that use leather. Some examples follow, although there are others. We list these to illustrate that there is real encouragement here for companies in the leather industry at a difficult time. Of course, it will be essential for those companies to put in time and effort before receiving any of the funding, but, if the proposals win approval, the money will be there and leather companies will be entitled to ask for some of it to help them recover from the crisis.

Job-creating engine

The Commission wants Next Generation EU to drive “our competitive sustainability”. It believes the levels of sustainability European companies offer give the region a competitive advantage and it wants to make sure recovering companies maintain this advantage and benefit from it. For



European Commission president, Ursula von der Leyen, speaking at the European Parliament in Brussels.

CREDIT: ETIENNE ANSOTTE/EUROPEAN UNION, 2020

example, in parts of the EU in which state aid programmes are non-existent or not enough to help “otherwise healthy companies” to steer their way through this crisis, billions will be available to help those companies secure the support of private investors.

The EU envisages making €31 billion available to help companies hook up with those investors and present their businesses to them; it envisages that spending this €31 billion could unlock €300 billion (over and above the Next Generation EU €750 billion) in new investment in good companies. Crucially, this part of the strategy, which is called the Solvency Support Instrument, will come with clear guidelines. Companies that can demonstrate that an investment in them would be a green investment (please look once again at the ten Leather and the Circular Economy criteria to see how strong leather’s case is) will have priority. This can be operational before the end of this year, the document states.

“This investment should help the European Green Deal become a job-creating engine,” the text states. “Investing in a more circular economy has the potential to create at least 700,000 new jobs by 2030 and help the EU to reduce its dependency on external suppliers and increase its resilience to global supply issues.”

Strategic raw materials

The Commission is also proposing a new Strategic Investment Facility to support cross-border investments “to help strengthen and build European strategic value chains”. It says this will provide incentives for EU manufacturers to work with each other, especially if this supports what it calls “the twin transitions” of making the manufacture of the products we use greener and more digital.

An Action Plan on Critical Raw Materials is also part of what Next Generation EU proposes to set up. The document talks about the need to replace raw materials that come from fossil

fuels with others that are from “non-energy” sources. It points out that global competition for many of these alternative raw materials is becoming intense. We have already mentioned that these documents, the European Green Deal and the Circular Economy Action Plan fail to make a connection between the ideas they expound and leather, the most circular raw material humanity can put its hands on. Even if it is difficult for us to understand why, the point remains that it is the industry who have to do the work to establish those connections. We will have to hold the European Commission’s hand and show why leather should have a voice in all these discussions and a share of the money.

Many of the statements that the documents do include make it clear that the gap we have to bridge is a narrow one. For example, on the Action Plan on Critical Raw Materials, it says: “Waste prevention, boosting recycling and increasing the use of secondary raw materials will help reduce this dependency [on fossil fuels]. New investments in recycling will help provide for strategic secondary raw materials.”

Covid-19 cannot halt this transition

These examples show that, in spite of the economic challenges covid-19 has left in its wake, there will be help available to encourage companies in Europe to continue the task of making their supply chains circular. There will be global benefits. Among the suggestions in the Circular Economy Action Plan are proposals for a Global Circular Economy Alliance, for an international agreement on the management of natural resources and for free-trade agreements to reflect the “enhanced objectives” of the circular economy. The European Commission says the change to a circular economy will be “systemic, deep and transformative, in the EU and beyond”. It insists that covid-19 will not prevent this change from happening and it proposes to make billions of euros in funding available to the businesses that want to drive this change. 🌱