

Sustainable Innovation 2016

21st International Conference

'Circular Economy' Innovation & Design

7th – 8th November 2016

University for the Creative Arts

Epsom, Surrey, UK

www.cfsd.org.uk



Developing a Circular Economy Through the Remanufacture of Refrigerated Display Cabinets and Implications of the Enhanced Capital Allowance Scheme in the UK.

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This paper examines how effective the Enhanced Capital Allowance (ECA) scheme could be in achieving a Circular Economy, with particular reference to the remanufacturing industry. It attempts to add clarity to the often misunderstood definition of remanufacturing in the context of retail refrigeration and highlights the discriminatory tax practices against remanufactured Refrigerated Display Cabinets (RDCs).

The Circular Economy is an economic and industrial system where resources are kept in use for as long as possible. This system is an alternative to the linear “take-make-use-dispose” path, which is adopted in many industries. Remanufacturing uses less energy and resources than the traditional linear approach, whilst making products that are considered to be as good as new. Due to the economical and environmental benefits the impetus to remanufacture is growing. The growth of the remanufacturing industry in the UK in relation to RDCs, could help to create a more sustainable and competitive retail industry.

The ECA scheme was introduced in the UK to encourage businesses to reduce their energy consumption and invest in energy efficient technologies. Under this scheme, businesses are able to claim tax rebates in the form of a capital allowance, when purchasing new RDCs listed on the government’s Energy Technology List (ETL). However, this is short-sighted and at present remanufactured products are excluded from the scheme. This paper presents a rationale for the inclusion of remanufactured products and specifically RDCs in the ECA scheme.

Anticipating the inclusion of remanufactured RDCs in the ECA scheme, this study suggests the potential financial incentive for businesses that purchase RDCs, in an attempt to encourage the industry to buy remanufactured units and to become more resource-efficient and circular.