

Green Procurement and Circular Economy: Dynamics of Public and Private Ecosystems



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Green Procurement and Circular Economy: Dynamics of Public and Private Ecosystems

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This report demonstrates the reciprocal relationship between green procurement and circular economy. As a procurement approach that prioritizes ethically sourced and environmentally sustainable goods and services, green procurement, whether at the national or firm level, plays a crucial role in enabling the circular economy. On the other hand, the adoption of circular economy practices, despite its current fragmentation at the national level, serves as an external driver for green procurement. Through an in-depth case study of SLB, a multinational technology company specializing in innovative environmental solutions for businesses, this report provides key insights into real-world green procurement practices and offers relevant recommendations to strengthen these practices, which facilitate the transition to the circular economy.

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1. *Green Procurement: An Enabler of the Circular Economy*

The transition to a circular economy (CE), characterised by a system that decouples economic growth and environmental degradation, aims to achieve sub-zero level of waste while enabling the regeneration of natural resources (Ellen Mccarthur Foundation, 2025). This economy, hailed by regulators and decision makers, requires developing closed loop operations that minimize reliance on virgin resources (Alhola et al., 2019).

To successfully transit to a CE, multiple enablers are required, including stakeholders' behavioural changes (Bertassini et al., 2021). One key enabler is green procurement (GP), also known as environmental purchasing, which is defined as "*the set of purchasing policies held, actions taken, and relationships formed in response to concerns associated with the natural environment*" (Zsidisin and Siferd, 2001, p.69). By its very nature, GP, either in the public or private sector, requires selecting sustainable suppliers and sourcing environmental-friendly raw materials and/or products. These may include materials that are ethically sourced or circularly designed for reuse, recycling, remanufacturing, refurbishing, and repurposing. In this context, circularity criteria can serve as key purchasing indicators, contributing to foster circular ecosystems and promote sustainable supply chains (Sönnichsen & Clement, 2020).

At the national level, *green public procurement (GPP)* fosters the CE by developing favourable CE-based regulations, and integrating *circular criteria* (e.g., recyclability in design, reuse of materials, use of recycled materials, among others) into tendering processes. These criteria enhance tender performance by incentivizing businesses and individuals to adopt CE practices to meet the government's requirements (Sönnichsen & Clement, 2020). Moreover, GPP stimulates innovation in the private sector by encouraging the development of new circular products (e.g., product-service systems, digital products, environment based innovative products). In addition, it promotes industrial symbiosis and circular ecosystems, where collaboration among actors enhances resource efficiency (Alhola et al., 2019).

At the firm level, *GP* drives the development of the closed-loop operations since all supply chain players align with circularity principles and share common environmental objectives (Winkler, 2011). This shift enables firms to minimize their environmental footprints by reducing inbound logistics' pollution, lowering environmental impact of raw materials, reducing energy consumption, and improving resource efficiency while fostering the sustainability performance of their entire supply chain (Ross and Jayaraman, 2009). By integrating reverse logistics, GP further facilitates waste reduction, allowing firms to recover end-of-life products from customers and reintegrate them as secondary materials within the

supply chain (Sönnichsen & Clement, 2020). Furthermore, GP enhances stakeholder collaboration by actively engaging customers in circular business models. By giving consumers a voice in product design and encouraging them to return used products for reuse/recycling/remanufacturing, GP strengthens circular supply chains and increase the success rate of circular business models (Appolloni et al., 2014).

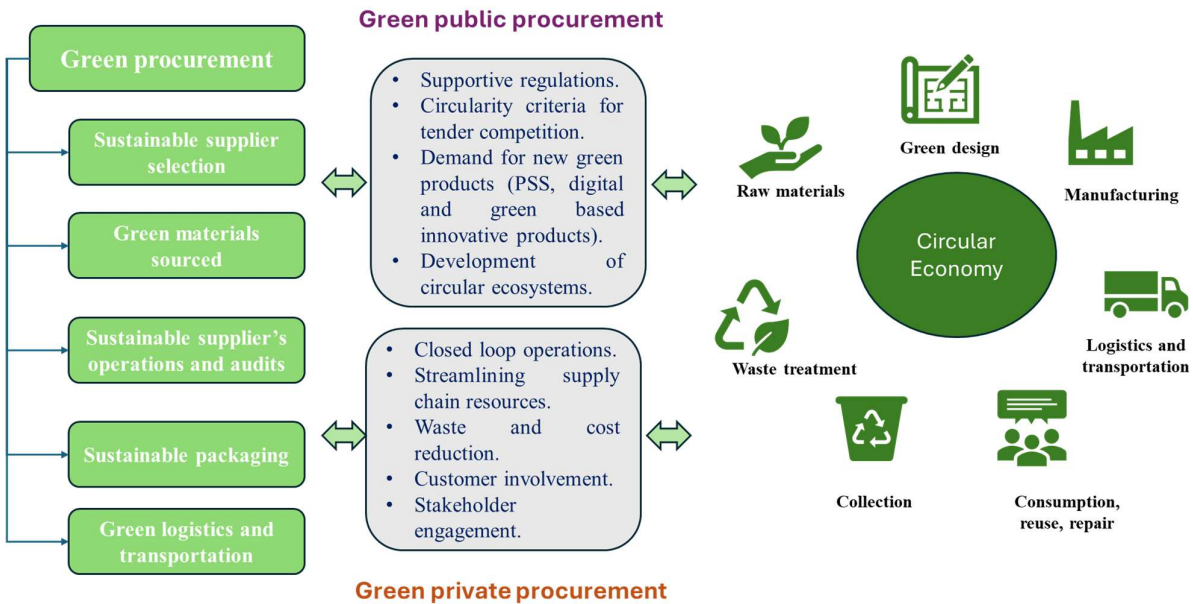


Figure 1: Green procurement and the circular economy

2. The CE: Demand-Driven Factor of Green Procurement

In the private sector, both internal and external factors (Table 1) drive GP. Along with the increasing concern with the CE by regulators, competitors, customers and society, the CE adoption, despite its current fragmentation at the national level, can serve as a demand-driven factor for green corporate procurement, especially for firms that are still engaging with the linear economy model (Wijayasundara et al., 2022). For example, in the chemical industry, when the CE is being implemented by various change agents, such as LanzaTech implements the CE by capturing carbon emission as inputs for other production processes, other companies are more likely to consider using more sustainable feedstock, e.g., recycling plastics, in response to institutional pressures from growing circular businesses.

Drivers	Specific factors
Internal factors	<ul style="list-style-type: none"> • Leadership and top management commitment and support aligning with the <i>upper echelons theory</i> (Hambrick & Mason, 1984; Yen & Yen, 2012; Anin et al., 2024). • GP can be financially advantageous when recycled materials are cheaper than virgin materials (Wong, San Chan, & Wadu, 2016). • Close collaboration with suppliers, supplier environmental certification, and assessment increases trust in GP and circular practices. For instance, H&M's partnership with suppliers facilitates GP and circular practices. • Integrating GP with business strategy positions it as a key driver for competitive advantage (Leppelt et al., 2013). • High agency conflicts between suppliers and focal firms may hinder GP adoption due to perceived risk of opportunistic behaviours from suppliers (Leppelt et al., 2013). • The alignment between sourcing capabilities and organizational structure can reduce GP costs (Plugge and Bouwman, 2013).
External factors	<ul style="list-style-type: none"> • Regulations and policies on sustainability, CE, and GPP serve as catalysts for corporate GP adoption (Chan et al., 2012). • Growing customer preferences for environmental-friendly products or recycling materials encourage firms to engage in GP (Björklund, 2011). • Industrial regulations, norms, and competitors' sustainability performance drive firms towards GP (Ghosh, 2019). • Society acts as a watchdog, monitoring corporate sustainability performance. Firms respond to societal expectations to maintain corporate social responsibility (CSR), and therefore, fosters GP as firms want to comply with social demands according to institutional and legitimacy theory (Walker, Di Sisto, & McBain, 2008).

Table 1. Drivers of green procurement

3. Green procurement: lessons learned from SLB

Known as a multinational oilfield services company, SLB, founded in 1926, is operating in an environmental-sensitive industry. Gradually transforming towards a more sustainable corporate citizen, SLB currently focuses on energy innovations for a balanced planet (SLB, 2025). As rated by CSRHub as of February 2025, the current CSR score of SLB is 87 out of 100 while the sustainability score of the company is 74/100 by LSEG, implying its good CSR and sustainability performance.

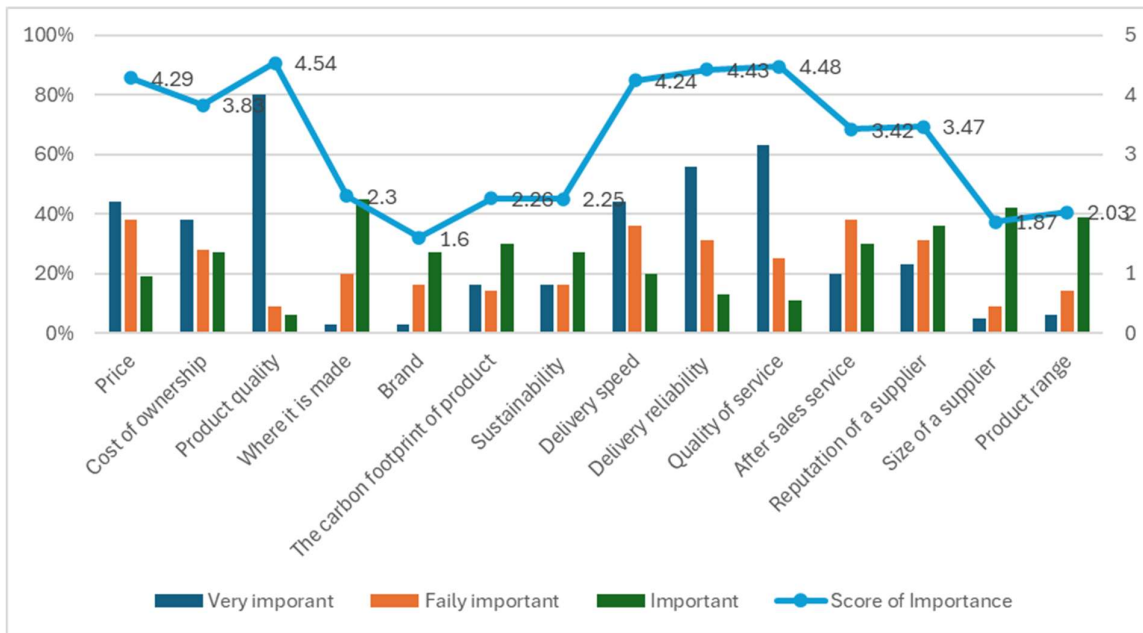
Over the past three years, the company has invested in training programs on the CE for its procurement and supply chain managers and officers, delivered by the University of Exeter. Note that, the UKRI Interdisciplinary Centre for Circular Chemical Economy (CircularChem) was commissioned to conduct a series of six webinars from 2023 to 2024. These sessions aim to equip SLB’s professionals with knowledge of CE approaches, good practices, and the potentials of CE within the chemical industry.

SLB - Schlumberger NV:	
<ul style="list-style-type: none"> Founded in 1926 as an Electric Prospecting company. SLB has been changing its business portfolios from time to time. The company currently aims to become a global technology company offering “energy innovative for a balanced planet”. 	
Products & Services <ul style="list-style-type: none"> Decarbonising Industry. Innovating in Oil & Gas. Scaling new energy systems. Delivering digital at scale. 	Sustainability Profile (as of Feb 2025) <ul style="list-style-type: none"> CSRHub: 87/100. LSEG: 74/100. Strengths: High social and environmental scores (over 80/100). Weaknesses: Moderate governance score (50/100).

Table 2. SLB profile

As a part of CircularChem’s webinar series, a survey was conducted among SLB’s procurement professionals to gather insights into the key criteria for supplier selection and order placement. A total of 64 responses were collected across the six webinars. While respondents considered **different factors** when selecting a potential supplier, spanning from product price to product and service quality, sustainability, risk management, and other aspects, just *over half agreed that* sustainability criteria, such as recycled materials and products’ carbon footprints, were important for selecting suppliers and placing orders. Evaluated by the importance of criteria, the scores¹ for carbon footprints and recycled materials, were 2.26 and 2.25 out of 5, respectively, while conventional criteria such as product quality, service quality, and delivery speed approached the maximum value – see Figure 2.

¹ These scores were calculated by summing the weighted values, by multiplying the assigned importance score for each category by the percentage of respondents in that category. Note that there are five categories: *not important at all* (1), *slightly important* (2), *important* (3), *fairly important* (4), and *very important* (5), were assigned scores of 1 to 5, respectively. For example, the score of *carbon footprints of products* (2.26) was calculated by (5*16%)+(4*14%)+(3*30%), where the integers (3,4,5) represent the assigned importance scores, and the percentages reflect the corresponding percentage of respondents in each category.



*Notes: This analysis is based on 64 responses across the six webinars.

When asked about additional selection criteria, participants suggested several other key factors, including product and service quality, responsiveness, lead time, supplier capacity, alignment between supplier and purchaser strategies, risk management, CSR, and sustainability. Unsurprisingly, factors such as price, product and service quality, delivery speed remained the primary considerations when choosing suppliers (Figure 3).



In addition, questions raised by SLB professionals and discussions during and after the webinars provided valuable insights into the perspectives of the company's change agents. These interactions highlighted key lessons learnt from this case.

Key Lessons Learnt

The SLB case study (webinars, open discussions among participants and between participants and guest speakers, questions raised by participants) combined with the relevant literature, served as guiding theoretical frameworks, demonstrates several key lessons learnt in terms of GP and the transition to the CE viewed from a purchasing perspective.

1) Leadership, awareness, commitment and support

Leadership's awareness, commitment and support are critical for advancing the CE transition through GP, as suggested by the *upper echelons' theory* (Hambrick & Mason, 1984). Strong leadership drives managerial agents and employees to engage with sustainable purchasing practices (Appolloni et al., 2014). For SLB, its leadership and top management demonstrated a clear understanding of the CE transition and recognized procurement as a strategic lever. Therefore, SLB invested in customised training activities for its procurement and supply chain professionals.



Learning from external sources through official training activities, as demonstrated by SLB, plays a critical role in motivating employees to embrace change. During webinars, SLB professionals actively engaged with guest speakers and industry experts, seeking insights into external CE practices. Real-world examples from leading companies like BASF and LanzaTech served as institutional forces (Grob & Benn, 2014), encouraging employees to reconsider their roles and align their personal goals with the company's sustainability and circularity vision. This lesson derived from the SLB case study aligns with institutional theory (Meyer & Rowan, 1977), illustrating how organizations can proactively learn from others to drive change. Note that several questions emerged during the webinars regarding best practices for legal and contractual frameworks needed to engage with different types of stakeholders (e.g., suppliers, competitors). These discussions demonstrate a strong willingness to learn from external sources and adopt best practices for CE.

2) The role of change agents

Procurement managers and officers across regional operational sites (e.g., SLB global branches) act as **critical change agents** for transforming to GP (Vejaratnam, Mohamad, & Chenayah, 2020). Therefore, **educating** and **empowering** these change agents and creating **effective internal communication systems** are essential to foster changes company-wide. In addition, the progress of changes should be **managed, monitored and adjusted timely** to ensure alignment between GP and business strategies, which is a critical success factor (Leppelt et al., 2013).

3) A comprehensive blueprint for GP implementation

A holistic blueprint for implementation of GP and CE at either the business unit level or across the entire organisation must be **developed, approved, and communicated effectively** within firms and throughout their supply chains. This ensures a **shared understanding** of GP objectives. This lesson emerged from questions raised by SLB professionals and open discussions on time frame needed to implement the circular economy as well as different enablers and barriers for the implementation of GP and the CE.

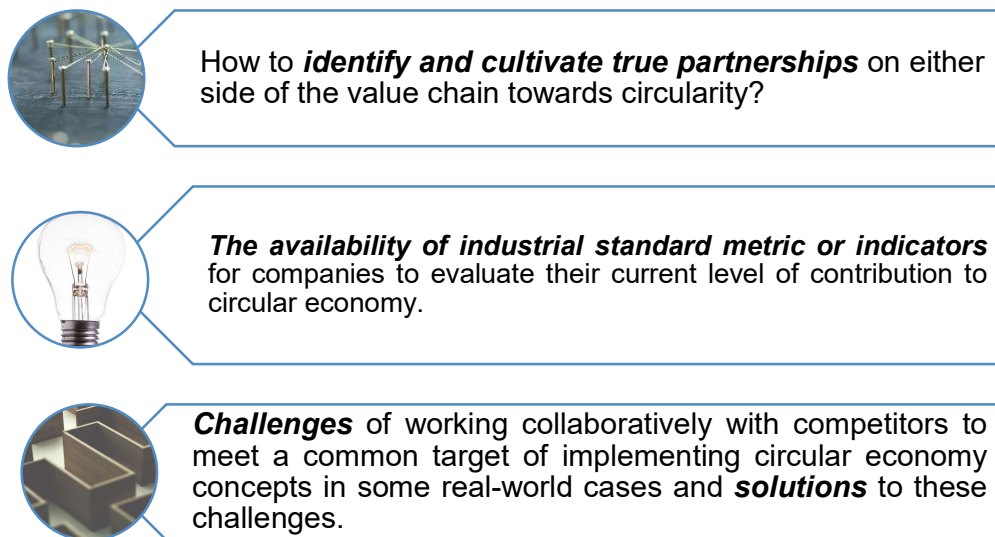


Figure 4. Relevant discussions on the CE implementation

The blueprint should provide a clear **roadmap** for transforming towards GP and CE, detailing key elements such as allocated resources, milestones and achievements, performance indicators, and risk management plan. All these considerations need to align

with the company's business strategies, organizational structure, leadership capacity, workforce competency, customer relationship and demand, regulations, among others (Leppelt et al., 2013; Plugge and Bouwman, 2013). Figure 4 illustrates some of the discussions on the necessity of a clear roadmap of CE implementation during and after the webinars.

4) Stakeholder's engagement

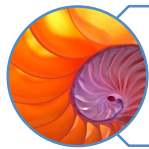
The success of GP and CE depends on the effectiveness of stakeholder's engagement (e.g., the agreement among employees, the alignment in interests between suppliers and focal firms, the involvement of customers, and the supportive regulatory environment) (Kunz, Mayers, & Van Wassenhove, 2018). **Timely information sharing and effective communications** are key for engaging stakeholders. Stakeholder's engagement was popularly discussed by participants during webinars – see Figure 5.



Current practices in **supplier partnerships** and engagement and benefits for these partnerships in terms of Scope 3 emission reduction.



How to encourage **smaller businesses** to make the shift in mindset to buy into CE.



How to **change perceptions of suppliers**, especially smaller ones towards the CE.

Figure 5. Relevant discussions on stakeholder's engagement practices

Different stakeholders contribute unique resources to support the GP and CE transition. To maximize impact, these resources must be used efficiently and transparently, making **accountability and trust** as key factors in resource management (Di Vaio et al., 2023). Since CE is often perceived as a high-risk investment, it is crucial to shift stakeholders' mindsets and convince board members to invest despite the significant upfront costs.

The role of customers must be emphasized throughout the purchase, operation, and distribution of products and services. For example, when selecting suppliers, SLB procurement professionals often assess their suppliers' capacity to hold stock and may

consider whether their suppliers engage in circularity practices. Therefore, from the suppliers' perspective, meeting customer requirements is essential, and alignment in values between a company and its customers plays a critical role in decision making. Furthermore, participants were concerned about how to bring clients along on the journey, ensuring a shared understanding of the value proposition across the value chain.

Inverse logistics and take back system need to be strengthened to support the closed loop operations in the CE (Winkler, 2011). Viewing from a purchasing perspective, these systems enhance GP by enabling suppliers to collect wastes from end-use customers of focal firms and transform those into recycled materials. As highlighted by webinar participants, it is critical for companies to ensure long-term value co-creation with both suppliers and customers, providing benefits to all stakeholders.

Industrial symbiosis, a collaborative model where firms across industries recover waste or exchange surplus resources, has emerged as a critical enabler for GP and CE transitions. For example, LanzaTech's innovative technology captures carbon emissions from steel mills, such as those from Shougang Group, and converts them into ethanol. By repurposing waste into valuable inputs (e.g., carbon emissions, scrap materials), businesses can minimize waste and operational costs while improving their environmental reputation and sustainability profiles (Baldassarre, et al., 2019; Xu et al., 2025).

Key Recommendations



The reciprocal relationship between the GP and CE highlights the importance of utilising GP as a driver for CE (Sönnichsen & Clement, 2020), while leveraging institutional pressures from CE practices to further promote GP (Wijayasundara et al., 2022). In practice, while there is some awareness of sustainability, carbon footprint and CSR, with many firms considering these factors in supplier selection and order placement, the actual implementation of these principles remains limited because of several barriers (e.g., financial barriers, including high costs, lack of legitimacy, unsupportive regulations, poor commitments from suppliers, industrial specific barriers, etc.) (Appolloni et al., 2014). The following recommendations are based on the analysis of the current challenges, requirements for accelerating the GP and CE transition. These recommendations cover perspectives of five key actors: regulators, focal firm, suppliers, customers, and financiers.

Stakeholder	Recommendations
Regulators	<ul style="list-style-type: none"> To foster the growth of circular business ecosystems, accelerate green public procurement by developing GP regulations and embedding supplier selection criteria into procurement practices. To drive circularity in the private sector, develop a favourable regulatory environment by reviewing and consolidating current regulations while enacting new ones and eliminating inconsistencies.
The Focal Firm	<ul style="list-style-type: none"> To shape internal stakeholders' behaviours towards CE, utilize GP as a strategic tool by building a CE culture & securing leadership's commitment, and supporting CE and GP practices. To develop an effective GP strategy that seamlessly integrates into business and operational goals, evaluate current procurement practices, with a focus on levers, enablers, and challenges. To raise awareness and improve capabilities, offer comprehensive targeted training programs that cover the technical aspects and procedures of GP (e.g., bidding criteria and supplier selection, order placement and firm-supplier relationships). To facilitate sustainability audits, order tracking, sustainable inventory management, and GP risk management, establish robust performance monitoring mechanisms by setting up effective performance indicators, reporting mechanisms, and performance logs.
Suppliers	<ul style="list-style-type: none"> To ensure compliance with sustainability and circularity criteria, adapt business operations towards sustainability by integrating sustainability into business strategies and operations. To mitigate both supplier and supply chain vulnerabilities, identify sustainability risk and develop resilience and compliance plans supported by focal firms. To strengthen overall competitiveness, positioning supply chains as unified, resilient market players, transform entire supply chain toward sustainability and CE.
Customers	<ul style="list-style-type: none"> To drive supply chains towards GP and CE acceleration, increase sustainability linked demands by raising customer awareness of green procurement and their role in influencing firms' GP practices. To strengthen demand-supply alignment while reinforcing sustainability goals, improve the willingness to be involved of customers in purchasing decisions, product design, and manufacturing processes.
Financiers	<ul style="list-style-type: none"> To help firms overcome financial challenges associated with GP and CE transition, develop innovative financial mechanisms while optimizing existing ones. Financiers should promote green or sustainability-linked debt instruments.

	<ul style="list-style-type: none"> To mitigate credit risk, <i>enhance the effective credit risk management</i> through accurate credit risk estimation, incorporating sustainability criteria, rigorous monitoring, and contingency planning. Enhancing borrower disclosure quality, ensuring accountability, and enforcing suitable debt covenants can mitigate financial risks.
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Table 3. Key recommendations

4. Concluding remarks

Accelerating the CE requires a system approach, leveraging several enablers while demolishing barriers that hinder progress (Xu et al., 2025). From the purchasing perspective, GP is a key that can be achieved by joint efforts of all stakeholders in a complicated ecosystem: focal firms, suppliers, customers, financiers, and regulators. Therefore, it is essential for the companies to consider the roles of these actors and to utilise well their roles in accelerating the transition to GP and CE. At the national level, green public procurement for circular products can be an effective approach to promote the CE in the private sector.

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