

## Position Paper

# An EU Circular Economy Act to drive competitiveness and investment in circular business

*This paper aims to provide input for the European Commission to draft a Circular Economy Act by Q4 2026.*

Circularity is the key to a clean, competitive and sustainable economy in Europe. On behalf of its 5,000 company members, most of them SMEs and many pioneers of the European circular economy, the European Sustainable Business Federation - Ecopreneur.eu therefore welcomes the European Commission's initiative to draft a Circular Economy Act (CEA) "with measures to create market demand for secondary materials and establish a single-market for waste", as specified in the mission letter to Commissioner Jessika Roswall.

**To meet this strategic goal, we call on the EU to design the CEA as a robust and comprehensive legislative framework to support the development of lead markets for circular materials, products and business models in the EU with the aim of boosting the demand for secondary raw materials and the supply of quality recyclates for industrial processes in a timely and effective manner.** The Circular Economy Act must combine ambitious legislative measures with supportive framework conditions that enable circular business models to thrive.

Specifically, it should establish a **level playing field for circular business models** – including reuse, sharing, repair, refurbishment, remanufacturing, and high-quality recycling – and apply the principle of **true pricing** by accounting for environmental and lifecycle costs in policy and financial incentives. The Act should prioritise ecodesign, support both efficiency and sufficiency as complementary strategies, and extend its scope beyond critical raw materials to include all secondary feedstocks, including biobased. It must ensure that **imported secondary materials meet EU environmental and social standards** and promote digital tools such as product passports for transparency and impact measurement. Finally, the CEA must **align procurement, waste and fiscal policies with circular goals**, introduce **mandatory sustainability criteria in public procurement**, harmonise **Extended Producer Responsibility schemes with strong eco-modulation**, and invest in regional circular hubs to **support SMEs** across Europe.

The potential is huge: The European remanufacturing market alone is estimated to grow from a value of EUR 31 billion in 2022 to EUR 100 billion by 2030, creating 500,000 new jobs.<sup>1</sup> Overall, the circular economy could bring EU companies annual net material cost savings, ranging from EUR 250 to 465 billion – or from 12% to 23% of their material costs. Implementing circular economy strategies globally could reduce greenhouse gas

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<sup>1</sup> World Bank, 2022 (<https://thedocs.worldbank.org/en/doc/67912b7a7143fa774f26ce22bed8144e-0080012022/original/EU-CE-REPORT-WEB.pdf> )

(GHG) emissions by up to 39%<sup>2</sup>. If designed correctly, the CEA could strengthen Europe's strategic autonomy, accelerate decarbonisation, and help meet its 2050 climate targets.

However, even though circularity is called a priority in the Commission's Clean Industrial Deal, the EU has made **little progress on growing the circular economy**, with an investment gap of EUR 27 billion<sup>3</sup>. Between 2015 and 2025, the circular materials use rate has risen by a mere 0.4%, from 11.6% to 12%, while the goal of the Clean Industrial Deal is to achieve 24% by 2030.<sup>4</sup> Investments are hindered by the absence of a single market for secondary raw materials<sup>5</sup>, the low price of fossil-based primary feedstock and cheap secondary materials imported into the EU, to name only a few of the pressing issues.

To tackle these challenges, we call on the European Commission to follow the below **guiding principles** and create the necessary **framework conditions** for the **legislative measures** under the CEA to unfold their full potential:

## 1. Guiding principles

- Companies that invest in circular products, services, and end-of-life solutions deserve a level playing field to compete, seize economic benefits and grow. To this end, the CEA should create a **level playing field** that explicitly **promotes circularity across the entire product life cycle** including reuse, sharing, repair, refurbishment, remanufacturing, alongside high-quality recycling as an end-of-life solution. This also includes the “**Polluter Pays**”, “**Do no significant harm**” and “**Waste hierarchy**” principles.
- Ensure that the CEA will **reward circular business models and companies, including SMEs**, rather than subsidise the most polluting industries. To create a level playing field, regulations under the CEA must **account for the environmental costs and CO<sub>2e</sub> emissions** of a product or service causes over its entire lifecycle(s), according to the principle of “**true pricing**”. Notably, this should apply to financial incentives.

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<sup>2</sup> <https://www.circle-economy.com/news/circular-economy-strategies-can-cut-global-emissions-by-39>. Expanding the use of recycled steel scrap, for example, can significantly cut down on GHG emissions in the European steel industry. Estimates vary from 25% up to 50% (<https://worldsteel.org/climate-action/climate-change-and-the-production-of-iron-and-steel>).

<sup>3</sup> <https://fead.be/position/alerted-by-the-crisis-in-the-recycling-sector-and-faced-with-a-staggering-27-billion-euro-investment-gap-experts-and-policymakers-discuss-circular-economy-priorities-at-feads-conference/>

<sup>4</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0085>

<sup>5</sup> According to the “Secondary Raw Materials Market Study” published by the European Environmental (EEA) in 2022, the markets for recycled wood, plastics, biowaste, aggregates from construction and demolition waste, and textiles are struggling.

- Product regulation should define and enforce **specific targets** that are ambitious and yet realistic for companies to achieve.
- Regulatory measures and instruments to be introduced under the CEA must be **easy for companies to implement** to save them from administrative overload and the risk of reduced competitiveness.
- **Ecodesign is the prerequisite for circularity**. Without built-in durability, repairability and recyclability at the design stage, the intrinsic value of a product and its components is compromised from the start
- Efficiency and **sufficiency** are two sides of the same coin. That is why laws under the CEA should **support innovative resource management practices** reducing the use of primary feedstock, such as reuse, sharing, refurbishing, remanufacturing, circular design and high-quality recycling. Applying both efficiency and sufficiency principles will increase Europe’s resilience, lowering costs for businesses and consumers, and ultimately help achieve the EU’s climate objectives.
- The CEA should take an **inclusive approach beyond critical raw materials** and hence apply to all secondary feedstocks including biobased. Aligning the CEA with the forthcoming EU **Bioeconomy** Strategy would drive innovation and channel investments towards markets with high growth potential like the circular bioeconomy.
- A well-functioning market for secondary materials can only function if all countries inside and outside the European Union play by the same rules. To ensure a level playing field, **imports of secondary raw materials** from third countries must be subject to the standards and requirements of the EU market, including the EU standards for the recycling process.
- To help customers take informed purchasing decisions for more sustainable products and services, **robust data and methodologies to measure impact** from a lifecycle perspective are paramount. **Digitalisation**, data management, and the introduction of a digital product passport under the ESPR will facilitate effective resources management and provide data to counter misleading environmental claims (“greenwashing”).

## 2. Framework Conditions

- A legislative framework is required to **fade out fossil fuel subsidies** in EU member states and beyond – as they create an unlevel playing field and conflict with the principle of true pricing.<sup>6</sup>

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<sup>6</sup> Even though the European Commission seems to support the concept of fading out fossil subsidies, EU member states in 2023 spent 111 billion EUR on fossil fuel subsidies

- **Align the EU fiscal policy with circular economy goals** by encouraging EU member states to perform a tax shift from labour to the use of resources. The tax shift would put a price on using primary resources like fossil fuel while incentivising sustainable practices and increasing citizens' disposable income.<sup>7</sup>
- **Extended Producer Responsibility (EPR)** schemes are a key financial instrument and incentive for businesses and industry to embrace circularity. To ensure their effectiveness, current national EPR systems should be reviewed, harmonized, and reformed into a EU-wide harmonised “resource management system” that rewards the environmental performance of a product or material over its entire lifecycle(s) rather than simply covering waste management costs.
- Enable **free movement of recyclable materials** to efficiently utilise regional recycling capacities, especially in member states with an underdeveloped processing infrastructure.
- Include **circular business models** in the **Clean Industrial State Aid Framework (CISAF)**.<sup>8</sup>
- **Set-up a specific Circular Economy Fund**, drawing on budgets from the EU Innovation Fund and the European Competitiveness Fund, to provide funding for financial incentives for capacity building services to companies at the regional level.
- Define common “**end of waste**” criteria for all products in the EU common market
- **Enforce the implementation of existing EU regulation and market surveillance** by EU member states. Recycled material from outside the EU, for example, should only be imported and counted towards EU recycling targets if it comes from post-consumer waste that was collected and recycled in compliance with EU laws and standards.<sup>9</sup>
- To harness the principle of digitisation, provide SMEs access to **free online tools, data, and in-person assistance** in their native language, especially with life cycle thinking, eco-design and digitalisation. More specifically, we call for the

([https://energy.ec.europa.eu/news/energy-subsidies-report-shows-progress-2023-2025-01-29\\_en](https://energy.ec.europa.eu/news/energy-subsidies-report-shows-progress-2023-2025-01-29_en)). Together with the low price of oil, these fossil incentives keep most companies away from investing in clean and circular solutions and ruin the market for many that have invested, such as plastic recycling companies, as well as for innovative start-ups.

<sup>7</sup> Detailed plans to achieve this in a tax-neutral way have been developed by the NGO Ex'Tax.

<sup>8</sup> Even though section 4.3 in the communication by the European Commission starts by noting that “national level support, including State aid support and tax incentives, plays a crucial role in decarbonisation and circularity efforts by providing financial backing and reducing barriers to investment”, circularity is not listed under the current CISAF rules.

[https://commission.europa.eu/document/download/9db1c5c8-9e82-467b-ab6a-905feeb4b6b0\\_en](https://commission.europa.eu/document/download/9db1c5c8-9e82-467b-ab6a-905feeb4b6b0_en)

<sup>9</sup> Application and enforcement of a “mirror clause” like the one specified in the EU Packaging and Packaging Waste Regulation (PPWR), for example.

development of **circular business hubs across Europe** that would serve as centres of expertise and hands-on support, providing access to know-how, finance and contacts. Integrated data platforms should provide partners in the circular value chain with information about material flows, carbon footprint, and product lifecycle information.

### 3. Legislative Measures

- Implement harmonised and mandatory **Extended Producer Responsibility (EPR) schemes with strong eco-modulation** of fees for all waste-intensive sectors across the EU. Specifically, amend Article 8a of the Waste Framework Directive to allow producer contributions to exceed the costs necessary for cost-efficient waste management to also reflect environmental performance. Additionally, introduce clear governance **requirements for EPR** schemes to prevent vested interests from suppressing high eco-modulated fees and circularity incentives.
- Introduce **harmonised mandatory sustainability criteria** like durability and use of secondary material in **Public Procurement**.
- **Open the EU VAT Directive** to allow member states to abandon VAT for second-hand products and introduce temporarily reduced VAT rates for a wide range of circular products.
- Next to the goal of making 24% of materials circular by 2030, set **reuse targets** and an overall **waste reduction target** for specific waste streams like batteries and textiles, taking into account the quality of the recyclate and its application ('recycling' vs 'upcycling' vs 'downcycling'). These targets should be in addition to existing goals.
- Introduce a **"feed-in-tariff" for recycled materials** according to their GHG emissions. This measure rewards the use of recycled materials in products based on the reduced CO<sub>2</sub> emissions compared to using primary raw materials. The more recycled material companies use in their products, the bigger the financial incentive. By putting an economic value on avoided emissions, the scheme would strengthen the competitiveness of second-hand products and products containing recycled materials in the short term.
- Introduce an EU-wide **repairability score** for products, making sure it encompasses all aspects of repairability, including the price of spare parts and the access to repair services and manuals.
- Reform EU laws to apply the **same insurance and warranty rules** for products made with secondary materials as those made of primary ones. Also **harmonise product labelling standards** with respect to circularity - they can vary widely across the EU.

- Update REACH to **phase out hazardous substances** in recycled materials according to the EU Chemicals Strategy.
- Review and **adapt the Food Contact Material (FCM)** regulation in a timely manner to differentiate between conventional and novel, virgin and recycled materials to ensure that it is safe for consumers and can be used for more sustainable products at industrial scale.

### About Ecopreneur.eu

The European Sustainable Business Federation, Ecopreneur.eu, represents around 5,000 SMEs and larger companies committed to sustainability across sectors and EU Member States, many of them pioneering circular business models. With its eight member associations, Ecopreneur.eu is the only cross-sectoral business organisation advocating ambitious measures, rules and regulations for a low-carbon, circular and socially inclusive economy in Europe and beyond. We advocate a new economic framework in which sustainability is promoted, the environment respected, and ecological principles are followed. Ecopreneur.eu and our members bring concrete experience from pioneering companies into the political debate, show best practice examples that prove the viability of sustainable business models.

### Contact

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