

SAVING RESOURCES TO SAVE EUROPE

HOW THE CIRCULAR ECONOMY WILL SAFEGUARD
OUR ECONOMY AND OUR ENVIRONMENT



Circularity is not just an option. Over the past decade, support for the circular economy has become widespread, but has mostly remained a nice-to-have when faced with competing policy priorities. No more. At a time when Europe faces existential challenges, including rising geopolitical insecurity, the emergence of China as a leader in advanced technology, and the triple planetary crisis acting as a threat multiplier, **circularity must become a central pillar of our security and competitiveness agenda.**

The circular economy is one of our **key tools to preserve our living environment, reduce our vulnerability and reinforce our economic strength.** Resource extraction and dependence on foreign raw materials and volatile commodity markets leave Europe fragile in geopolitical terms. Meanwhile, resources are the highest cost input for many businesses. Hence, strategies to bring down resource use, improve efficiency, and reuse and repair of products will drive costs down, boost competitiveness and create jobs. In short, **circularity offers the twin benefits of environmental protection and economic security.**

The challenge

Yet, significant obstacles stand in the way. Circular products and businesses are forced to compete with cheap raw materials, often imported from countries with far weaker environmental or social rules. Without strong incentives, regulatory certainty and coherence, the business case for circular production, reuse and repair will be viewed as too risky.

EU policy remains fragmented in many areas, with overlapping, diverging or unpredictable rules across the EU market, and inconsistent or missing definitions or standards for innovative circular products. Too many policies assign narrow responsibility, often just to the waste stage or to producers, rather than fostering shared responsibility along the whole value chain. **And there is as yet no overarching compass:** the direction, scale and enforceability of circularity ambitions are either unclear or too weak.

Europe can do it

Still, we have reasons for optimism. Across Europe, circular business models are flourishing and innovating, even under these constraints. In recent years for example, we have seen that refurbishing white goods can be profitable and sustainable at scale, while many EU Member States, particularly in Northern Europe, have successfully deployed deposit-refund schemes, achieving impressive return and recycling rates.

According to the European Environment Agency, **over 4,2 million people were employed in circular economy sectors in 2021** across the EU, up from around 3.35 million in 2005, and momentum continues.¹ Importantly, this is stable and locally embedded employment that cannot easily be outsourced in the future.

Our vision

We believe Europe can achieve something of the same magnitude as the industrial reconstruction after World War II, but this time with sustainability, fairness, and shared prosperity at the core. Remaking our economy, **transforming industry for circularity and climate neutrality, is a formidable challenge.** But so was reconstructing Europe's industrial base.

Just as then, we need a determined, ambitious and coordinated course of action. And importantly, this approach depends on a spirit of collaboration: in a circular economy, businesses, citizens, local and national governments, civil society and EU institutions depend on the success of one another, not on cut-throat competition.

This paper lays out the Greens/EFA group's six focus areas in which the European Commission, member states and stakeholders will need to take bold, decisive action: **(1) governance, (2) policy upgrades, (3) strengthening the single market, (4) protecting the single market, (5) demand creation and (6) funding.**

1. EU governance for circularity: direction, coordination & accountability

The good news is we are not starting from scratch. To establish a circular and climate-neutral economy by 2050, **the EU's 2020 Circular Economy Action Plan** aims for a “model that gives back to the planet more than it takes, advances towards keeping its resource consumption within planetary boundaries, [...] and doubles its circular material use” by 2030.

But five years on, the **results have not matched expectations**.² While resource productivity has steadily increased, a helpful development especially in recent years, the EU's material import dependency has remained nearly the same. Worse, at the current pace, we will not achieve our circular material use target until at least 2038, and the EU's consumption footprint has gone up, not down.

The quickest way to buck that trend is to phase out – mostly imported – fossil fuels, which are mainly burned for energy and cannot be reused. This also means phasing out all related subsidies, turbocharging electrification, grid infrastructure and energy efficiency and sufficiency initiatives, and swiftly executing plans under the Clean Industrial Deal, the Grids Package and the Action Plan for Affordable Energy.³

To ensure success on circularity **in the longer term**, however, we also need **a Sustainable and Just Resource Management Framework**. This includes:

- **A long-term vision and legally binding, science-based targets** for reducing resource use and environmental impacts, calibrated to ensure EU citizens live well within planetary boundaries and Europe's fair share of the global resource budget.
- **An EU Scientific Advisory Board on Sustainable Resource Management to monitor progress**, assess policy coherence, and provide independent recommendations. This body would bring together scientific expertise, civil society, and social partners to ensure that circularity efforts are evidence-based, fair, transparent, credible and inclusive.⁴
- **EU and Member States plans detailing the strategies adopted to achieve the targets**. Given that circular economy actions are underrepresented in national climate and energy plans, despite more than half of climate emissions being tied to materials use, we suggest upgrading them to National Climate, Energy and Circularity Plans.

This will provide the **predictability** investors seek, the **accountability** citizens demand, and the **direction and coordination** Europe needs.⁵ Just as the EU Climate Law and Energy Union have successfully shown, such a framework will move the circular economy higher on the political and policy agenda.

2. EU policy upgrades to reduce waste, increase reuse and improve recycling

Europe already has strong foundations for circularity, but current market obstacles, fragmented implementation and limited ambition prevent the EU from fully realising its potential. **The Circular Economy Act** must therefore consolidate, enforce and expand existing policies to make circularity the default across all sectors, including the following:

- **First of all, the Waste Framework Directive**, which is our main circularity tool, should focus more on managing and moderating resource use rather than only on waste management. We propose introducing waste reduction targets for resource-intensive sectors, and separating reuse targets from recycling targets. **Second, Extended Producer Responsibility** should also fund prevention, reuse and repair, not only recycling. **Third, we want mandatory sorting of mixed municipal waste** in all member states. **Fourth, defining and setting high-quality recycling targets** should improve the quality of recycled materials, and we should limit chemical recycling to what cannot be mechanically recycled.
- Key product-related legislation such as the **Ecodesign for Sustainable Products Regulation** should **first expand its working plan scope** as soon as possible, notably adding chemical substances including plastics. **Second, we recommend giving priority to horizontal requirements** for repairability, reusability, high-quality recyclability and substances of concern in order to increase and speed up impact. **Third, we also suggest developing EU-wide repair and durability scores** as a quick win to increase transparency and support public procurement, and **fourth: expand the ban on the destruction** of unsold textiles to electrical and electronic equipment. **Finally, we stress the importance of allocating sufficient staff and resources** to carry out this important work.
- The **Right to Repair Directive** should first **be progressively made universal** by regularly expanding the list of products subject to repair requirements and by ensuring that repairers have access to spare parts and repair information. **Second, further action to ban anti-repair practices** such as digital coding, and **third: adapt legal guarantees** so that they match actual product lifespans remain priorities to make the right to repair truly universal (a legal guarantee of 2 years does not make sense for a washing machine with an average lifetime of 10-15 years).
- To progressively **discourage incineration** of waste, there should be no delay in including the sector in the **EU Emissions Trading System** as part of the review in 2026. At the same time, **landfill operators should be obliged to measure and mitigate powerful methane emissions**, considering that they amount to 18% of total methane emissions in the EU.
- To further drive circularity in the **Packaging and Packaging Waste Regulation**, the CE Act should include an **assessment of the environmental impacts of different recycling technologies** and set meaningful sustainability criteria for plastic recycling technologies. **Second, we recommend complementing packaging rules with standards** mandating that certain products be made only from certain materials combinations, in order to greatly facilitate sorting and recycling and reduce costs.

- We recommend turning the **Waste Electronic and Electrical Equipment Directive** into a Regulation, and **secondly, to replace the existing weight-based targets with material specific targets** to ensure that critical raw materials are properly recovered. **Third, setting environmental footprint targets** will prioritize waste prevention, and **fourth: separating collection and recycling targets** from reuse targets and including recycled content targets for post-consumer plastics will lead to significant economic and environmental benefits. **Fifth, EPR fees should be modulated** on the basis of the waste hierarchy to set the right financial incentives to reach these objectives, (see section 3).
- We can achieve major circularity gains in high impact sectors by setting **recycled content requirements for metals and plastics** in the **End-of-Life Vehicles Regulation**, speeding up the setting of performance based **standards and requirements** in the **Construction Products Regulation**, and implementing measures to **moderate resource consumption** and recovery of critical raw materials from mining waste set out in the **Critical Raw Materials Act**, to be complemented with **environmental standards** in the **Extractive Waste Directive and/or the Industrial Emissions Directive**.

3. Strengthen the Single Market

For circularity to succeed, **Europe needs a single market that works for circular products, that protects consumers, rewards compliant** best-performing businesses, and builds trust in second-hand and recycled products. The currently fragmented and incomplete regulatory framework adds unnecessary costs for circular companies operating across borders, discourages and fails to protect circular business investments and upscaling, and insufficiently incentivises citizens to use circular products.

- The current patchwork of **Extended Producer Responsibility** systems makes it hard for circularity to scale Europeanwide. Harmonising and expanding these would also be a major funding tool for circularity. This requires:
 - Common EU criteria for eco-modulation based on sustainability (and not only on product volumes), harmonised definitions, principles and obligations, notably by establishing an EU-wide registration system for producers that sell in different member states, setting minimum levels of accountability and transparency to level the playing field.
 - An EU requirement for EPR schemes to finance prevention, reuse, and repair, through EPR-financed repair and reuse funds, effectively creating a separate funding stream for waste management organized at national level and a funding stream for circularity transition harmonized at EU level. As a first step, we recommend copying the French Repair Bonus for consumers at EU level, providing discounts on repair costs for electrical/electronic goods, clothing, and footwear at certified workshops.
 - An EU requirement to establish EPR in new sectors to facilitate funding for circularity (such as mattresses).

- An EU requirement on producers to join collective EPR schemes, which leads to economies of scale and simplification for producers, less risk of freeriding and more transparency and accountability compared to individual EPR schemes.
 - An EU-level EPR advisory and monitoring body to monitor Producer Responsibility Organisations, to ensure oversight and coordination, foster compliance, reduce administrative burdens and fraud, and provide policy support and training.
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- Following the 2022 evaluation of the **New Legislative Framework**, and as stated in the own initiative report adopted by Parliament on 21 October, we recommend **harmonising definitions** of refurbishers, repairers, and sellers of pre-owned products and formally recognise clear, proportionate obligations for each – considering they cannot be held liable for defects they are unaware of.
 - **Uniform rules for Digital Product Passports** should ensure that second-hand operators can access product information, enabling safe and efficient reuse. Clear definitions for “placing on the market” and “substantial modification” will prevent legal uncertainty for refurbished goods.
 - **To achieve stronger market surveillance**, we should require non-EU traders to appoint a responsible person within the EU with full legal and financial liability. This is relevant for the circular economy to ensure sanctions and remedies in case non-compliant products are placed on market.
 - **We recommend banning practices linked to incentivizing fast-fashion**, such as limiting advertising for such products and setting transparency requirements on environmental performance, and to draw inspiration from France’s anti-fast fashion law.
 - **End-of-waste criteria should facilitate intra-EU shipments for remanufacturing and recycling**, considering some waste streams are subject to unclear, absent or fragmented shipment rules for them to be recycled inside the EU in the most environmentally optimal way. **Choosing to recycle products or materials in Europe should be the go-to, by-default option**, not the struggle it is today. Detailed criteria should also be established to distinguish between used goods and waste to avoid circumventing shipment restrictions via fake used goods.

4. Protect the Single Market

Imports and exports as well as our trade rules should reinforce, not undermine, Europe's circular ambitions. Given the geopolitical turbulence, the return of tariff threats from the US and the massive manufacturing overcapacities from China, European circular businesses require fair but firm protection to withstand these shocks. At the same time, **we must avoid dumping our waste problems in other countries.**

- The EU should properly apply the **Waste Shipment Regulation** and support member states' customs authorities to ensure that **equivalent treatment conditions** for environmentally sound waste management in third countries are effectively in place.
- **To avoid valuable resources disappearing from the EU**, we recommend monitoring trade flows of secondary materials and to set export fees on metal and non-metal scrap containing critical raw materials if outgoing volumes threaten domestic supply and consequently domestic manufacturing.
- We propose to expand the scope of the **Carbon Border Adjustment Mechanism to chemicals and plastics** to make imports of virgin materials more expensive than secondary materials due to their higher carbon footprint and to include a range of intermediary products. This will be critical to close the price gap between virgin and secondary materials.
- **In the ongoing negotiations of the Customs Reform**, the EU should go full-steam ahead with the **introduction of VAT and flat-fees on small parcels**, considering that the number of parcels containing non-circular products that are entering the EU, often travelling all the way from China and bought on-line, is growing dramatically.
- As part of enforcement of the **Ecodesign Regulation**, **online marketplaces should be required to introduce a search function on their websites for sustainable and circular products** and to indicate the origin and composition of their sold goods and the environmental impact of different shipment options, to **ensure products put on the market on Very Large Online Platforms**, at the least, are guaranteed to be **compliant**.
- We insist that the Commission **extend the mirror clauses** for imports and third-party audits from the **Packaging and Packaging Waste Regulation** to other products legislation with targets on recycled content. To ensure compliance of non-EU producers, we strongly support the Commission's idea of establishing an **EU market surveillance authority**.

5. Create demand for circular products

Circularity will only work if there is robust demand for circular products and services. Public authorities (and their purchases representing nearly 14 % of EU GDP), consumers, and businesses all have a role in shaping markets that reward durability, reusability, and sustainability.

- The revision of the **Public Procurement Directives** should **first of all require that all tenders include at least one circular and one social criterion**. These criteria could include minimum recycled content, durability standards, or requirements to procure refurbished goods. **Second, criteria should help set and reach targets** on resource efficiency or a share of reused, refurbished or repaired goods. **Third, authorities who will work with these criteria should be supported** with training programmes on how to “buy circular”. Standardised tools, methodologies, terms – such as recyclability, repairability – and procurement forms should be developed to help contracting authorities design and follow such criteria, thus enhancing their uptake.
- **To boost consumer demand and to make circular practices and products more affordable, especially for low-income citizens**, Member States should introduce **economic incentives** such as reduced VAT on repairs and second-hand goods, eco-vouchers, and repair bonuses. These can be partially financed with Extended Producer Responsibility schemes. **Second, the introduction of information tools, such as repair scores and a durability index**, and information requirements for online marketplaces would incentivise consumers to use sustainable and circular products.
- **Social enterprises active in repair, refurbishment, and reuse should see barriers removed** in competing with large linear businesses in EU funding and procurement programmes. These companies help generate local jobs and keep value in communities, making circular demand creation fair and inclusive. **Public authorities must lead by example** by supporting them through public procurement, and in removing existing barriers in the market.
- **Circular product mandates** designed for large end-markets of material and energy intensive products, such as the construction, packaging and the automotive sectors. This requires creating standards and performance classes followed by setting binding targets that gradually increase over time. These targets can be coupled with local content requirements to strengthen demand for products made in Europe.

6. Boost funding for circularity

Redirecting even a small portion of existing industrial subsidies and recovery funds toward resource efficiency and reuse would yield high economic and environmental returns. The European Investment Bank estimates the **annual investment gap at around €100 billion**. Closing this gap requires both public and private mobilisation of investments into circular business models away from current linear models.

- **At EU level, a greater share of the Multiannual Financial Framework and the Innovation Fund must be channelled towards circular projects and investments**, prioritising waste prevention and resource efficiency over downstream waste management. **First, the Decarbonisation Bank and Competitiveness Fund**, and other funding programmes, should explicitly include circular manufacturing and secondary materials in their scope. **Second, contracts-for-difference or feed-in tariffs** for recycled materials like steel, aluminium, and plastics, should be introduced to ensure that producing circular materials is economically viable even when virgin material prices fall. **Third, ETS revenues and potential new EU “own resources”** such as a plastics or e-waste tax should be earmarked for funding circular economy initiatives.
- **Private investment should also be guided by clear EU standards.** The EU should develop a **Circular Economy Risk Scorecard** and integrate circularity into the **EU Taxonomy for Sustainable Activities**, providing investors with consistent benchmarks. Harmonised circular performance metrics will improve transparency and prevent greenwashing, helping financiers compare circular and linear projects on equal footing.
- **Public funding should further de-risk private capital through blended finance, guarantees, and technical assistance.** National promotional banks and regional development funds should align with EU circular goals, while local authorities should have access to tailored financing tools for community-level projects such as reuse centres and repair hubs.
- **We call for social conditionalities**, defined together with social partners, to ensure the billions in public funding for circularity also benefit industry workers (e.g. decent wages and decent working conditions, job guarantees, public money used for investment instead of dividends for shareholders, etc.). **Second, we call for a Just Transition Directive** to guarantee social dialogue, collective bargaining and participation of social stakeholders in strategic decisions concerning their future.⁶

BOX N.1: Plastics

To address the lack of circularity of plastics, whose production and pollution keep growing, and whose EU recyclers are struggling to keep afloat, we recommend focusing on two action streams:

1) DESIGN REQUIREMENTS

ACTION 1: Add plastics as an intermediate product to the Ecodesign Work Plan and set out plastics sustainability requirements (e.g. design for recycling, use of substances of concern, emissions...) that in turn will also improve the environmental performance of final products containing plastics.

ACTION 2: Go beyond packaging, and regulate the use of plastics in more products. Phasing out the use of plastics where it can be replaced, require that certain products be made only from certain materials combinations, in order to facilitate sorting and recycling and reduce costs, and introduce product mandates, requiring that certain products, e.g. vehicles and electrical equipment, be made from recycled plastics, prioritising the most sustainable technique, which is mechanical recycling.

2) ECONOMIC (DIS)INCENTIVES

ACTION 1: Add plastics to the CBAM scope. A price on the emissions of (the growing) imports of plastics will create a level playing field for recycled plastics, whose carbon footprint is lower than the one of virgin plastics.

ACTION 2: Establish a contract-for-difference scheme for EU recycled plastic producers, bridging the competitiveness gap with virgin plastic production.

ACTION 3: Expand the Plastics EU Own Resource introduced in 2021 to have a real impact on curbing plastics use and its revenues should be earmarked to finance circular economy projects, including within the own plastics industry.

BOX N.2: Textiles

The growth of fast and ultra-fast fashion is creating huge environmental and economic pressure on the EU. Tonnes of low-cost, disposable, polluting and hardly recyclable clothes are being discarded, overwhelming the sorting operators who cannot sell these on second hand markets due to their low quality, creating high costs and technical challenges for intra and extra-EU recyclers, and making it impossible for responsible textile producers to compete. To increase circularity of the textile sector, we suggest the following four action streams:

1) INFORMATION TO CONSUMERS

Action 1: an EU-wide ban on advertisement of fast and ultra-fast fashion.

Action 2: EU-wide requirements on fashion companies and online platforms selling textile products to provide online and offline (on labels) information on origin and environmental footprint of production and shipment options.

2) DESIGN REQUIREMENTS

Action 1: put in place minimum design requirements that ensure longer lasting fibre quality and protection against wear and tear and a minimum amount of washing cycles

Action 2: put in place minimum design requirements to secure sustainable sourcing of materials and easy dismantling of garments or their constituent parts to facilitate recycling.

3) ECONOMIC (DIS)INCENTIVES

Action 1: harmonised EU-wide criteria for eco-modulation, including on the basis of fast fashion producer practices, of financial contribution by textile producers to repair, reuse, collection and recycling under their Extended Producer Responsibility obligations.

Action 2: increased VAT on petroleum-based fabrics, lowered VAT on repair, reuse, recycling activities, and removed VAT for second-hand sales.

4) DEMAND CREATION

Action 1: Minimum post-consumer recycled content requirements in textile products placed on the EU market with strong measures to ensure compliance by non-EU companies.

Action 2: requirements on public authorities to procure locally produced textile products fulfilling minimum sustainability and social criteria.

5) TARGETS

Action 1: Waste reduction targets for the sector.

Action 2: Closed-loop recycling targets to ensure high quality recycling instead of downcycling.

References:

- 1 <https://www.eea.europa.eu/en/circularity/thematic-metrics/business/employment-in-the-circular-economy>
- 2 See Eurostat's Circular Economy Monitoring Framework: <https://ec.europa.eu/eurostat/web/circular-economy/monitoring-framework> and EEA's Environment 2025 report: <https://www.eea.europa.eu/en/europe-environment-2025>.
- 3 See the Greens/EFA position: <https://www.greens-efa.eu/en/article/policypaper/the-eu-clean-industrial-deal>
- 4 The scientific advisory body on climate has proven to be instrumental in supporting the climate law and the various actions that were developed as a result.
- 5 Moreover, this set of actions would apply a number of existing requirements and recommendations of Council, Parliament and the European Environment Agency, which have yet to be implemented.
- 6 More information on the social dimension can be found in the Greens/EFA position paper on the Clean Industrial Deal: <https://www.greens-efa.eu/en/article/policypaper/the-eu-clean-industrial-deal>