BRIEFING

Commission initiative in preparation

European Parliament

This European Parliamentary Research Service paper aims to inform Members on issues related to a forthcoming Commission initiative. It highlights the main choices which may shape the initiative and which Members may wish to explore ahead of formal Commission adoption. Based on documentary and other sources, it reflects the information available at the time of writing.

For further information on this topic, Members and staff of the European Parliament may contact the author.

Circular economy act

ISSUES AT STAKE

The circular economy aims to break away from the traditional linear 'take-make-use-dispose' model by keeping resources in circulation for as long as possible. Its goal is twofold: to **lower environmental pressures** and **increase economic resilience** by reducing reliance on virgin materials and unstable global supply chains. Against this backdrop, the planned circular economy act (CEA) must address several structural challenges currently at the centre of the EU policy debate:

- **Material security and critical raw materials (CRMs).** The EU's dependency on third countries for strategic resources remains a critical vulnerability. The EU imports nearly 100 % of its heavy rare-earth elements, primarily from China. While the CRMs Act sets a target for 25 % of the EU's annual consumption of strategic raw materials to come from recycling, current recycling rates for materials such as lithium and rare earths remain below **1 %**. The proposed CEA should create market conditions making recovery of these materials economically viable.
- **Fragmentation of the single market**. The lack of harmonised criteria to determine when waste ceases to be waste and becomes a product is identified as a primary barrier to competitiveness. Currently, 27 divergent national regimes create legal uncertainty and hinder the cross-border flow of secondary raw materials.
- **Resource-use targets: efficiency (recycling) v reduction.** The State of the Environment 2025 report warns EU waste generation and material consumption is unsustainable, at approximately 14 tonnes per capita per year in 2024, significantly above the global average and planetary boundaries. While the EU has improved waste management through increased recycling, substantial resource use reductions and related environmental impact cannot be achieved by recycling alone.
- **Efficiency (recycling rates) v binding targets.** A choice must be made between efficiency measures or targets to reduce absolute resource consumption to achieve the EU's objectives for strategic autonomy, a smaller material footprint, and decoupled economic growth and material consumption.
- **Economic competitiveness – closing the price gap between virgin and recycled materials.** One of the biggest obstacles is that recycled materials (recyclates) often cost more (e.g. plastics, such as PET and rPET) – or are perceived as lower quality – than virgin materials. This price and/or quality gap undermines demand for recyclates and business cases for recycling. For the circular economy act to succeed, it needs to make it economically attractive for companies to use recycled materials, and for recyclers to produce high-quality materials – not just downcycled waste. Besides, resources represent the largest input cost for industry, making the prudent and rational use of resources critical for competitiveness.

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- **Extended producer responsibility (EPR) governance**. EPR schemes are 'sets of measures taken by Member States to ensure that producers of products bear financial responsibility or financial and organisational responsibility for the management of the waste stage of a product's life cycle'. EPR governance faces a structural issue: producer organisations are incentivised to minimise costs for producers, rather than maximise circular outcomes. The textile sector exemplifies this misalignment, where the reuse and collection sector have become financially vulnerable due to insufficient funding and the declining quality of collected textiles, undermining circularity goals.
- **Health risks.** Sanitary risks from recycling processes increasingly extend beyond chemical toxicity, as mechanical plastic recycling processes are identified as significant microplastic emitters. These particles have intrinsic toxic properties and can cause lesions and dysfunction across multiple systems of the human body – including digestive, respiratory, cardiovascular, immune, reproductive, and endocrine systems – independently of the chemicals they may carry.

Developments and insights – European Commission

Box 1 – Key figures

- **Material footprint:** 14.1 tonnes per capita (2024; Trend: stable/high).
- **Circular material use rate:** 12.2 % (2024; Trend: stagnating; Target: 24 % by 2030).
- **Waste generation:** 5 tonnes per capita annually (2022). Some 40.8 % of the waste generated in the EU is reported as recycled and 30.2 % as landfilled. Compared with 2010, 31.1 % more hazardous waste was generated in 2022 in the EU.
- **Recycling rate (packaging):** 67.5 % (2023; Target: 70 % by 2030).
- **Recycling rate (e-waste):** 30.8 % (2023; Far from the 65 % target by 2019).
- **Trade of raw materials:** trade deficit of €29 billion (2023). Brazil and the United States were the largest partners for EU imports (2023). China and the United Kingdom were the largest partners for EU exports (2023). Between 2013 and 2023, imports grew by 30 %.
- **Trade in recyclable raw materials:** In 2024, exports of recyclable raw materials amounted to 35.7 million tonnes: Türkiye was the top destination for EU exports of recyclable raw materials (12.3 million tonnes). Imports of recyclable raw materials amounted to 46.7 million tonnes in 2024 and came predominantly from Brazil (9.8 million tonnes).
- **Employment in the EU's circular economy**: 4.3 million people (2021).

Sources: Eurostat and EEA.

The EU has positioned itself as the global frontrunner in the circular economy transition, deploying two consecutive comprehensive strategies: the 2015 closing the loop action plan and the 2020 new circular economy action plan. These frameworks were founded on the assumption that a combination of environmental regulation, voluntary commitments, and waste management targets would drive the transition to a more circular economy. However, analysis from the European Court of Auditors, the European Environment Agency (EEA), and reports by Mario Draghi on European competitiveness and Enrico Letta on the future of the single market show more should be done to strengthen the transition to a circular economy (see Box 1).

The upcoming circular economy act, expected to be proposed by the Commission in the third quarter of 2026, would constitute a central pillar of the Clean Industrial Deal and the Competitiveness Compass for the 2024-2029 mandate. The Commission has explained that measures included in the CEA could be based on three pillars: amending the Waste Framework and Landfill Directives, amending the Waste Electrical and Electronic Equipment Directive, and considering additional measures (e.g. harmonisation of environmental tax and requirements for extractive waste management). The Commission also announced that the initiative would seek to

double the EU's circular material use rate to 24 % by 2030 by making circularity a central element of single market completion, industrial resilience, and strategic autonomy. It would aim to create a unified single market for secondary raw materials and to reduce the EU's strategic dependence on resources from third countries.

The political landscape for the CEA announced for 2026 was fundamentally shaped by the Draghi and Letta reports published in 2024. They argued that decarbonisation must be paired with competitiveness to prevent de-industrialisation, identifying the circular economy as a critical tool to lower feedstock costs for energy-intensive industries and reduce dependence on third countries, particularly China, for critical raw materials.

The Commission has translated these findings directly into its annual work programmes, the Clean Industrial Deal and the Competitiveness Compass. Unlike previous action plans, which were part of EU environmental policy, the circular economy act is now positioned as a competitiveness instrument. This strategic shift is reflected in the governance of work concerning the file inside the European Commission: responsibility lies with Jessika Roswall, Commissioner for Environment, Water Resilience, and a Competitive Circular Economy, with oversight from Executive Vice-Presidents Teresa Ribera (Clean, Just and Competitive Transition) and Stéphane Séjourné (Prosperity and Industrial Strategy). Following a call for evidence launched in August 2025, the legislative proposal is scheduled for adoption in Q3 2026.

During a meeting of the Expert Group on Circular Economy and Sustainable Production and Consumption on 18 November 2025, the Commission presented the results of the public consultation and reminded EU Member State circular economy directors of its objectives for the upcoming CEA:

- accelerate the EU's transition towards a circular economy (still roughly 90 % linear);
- set simple, clear and digital rules for secondary raw materials and waste, to ensure a level playing field across the single market, reduce costs and facilitate economies of scale;
- increase the quantity of waste (separately) collected, and the quantity and quality of EU secondary raw materials;
- ensure a higher uptake of EU secondary raw materials in products;
- scale up the capacity for (separately) collecting, sorting and recycling in the EU;
- reduce waste generation.

The minutes of this meeting reflect that the directors broadly agreed that the CEA should strengthen the single market for secondary raw materials, with priority given to harmonising end-of-waste criteria, EPR rules, and standards, as well as boosting demand through recycled-content targets and green public procurement. Many stressed the importance of waste prevention, reuse, and repair, as well as simplifying implementation through digitalisation, streamlined permitting, and clearer, more coherent EU rules. Several delegations also highlighted the need to address hazardous substances in recyclates, ensure a level playing field (including for online sales and imports), and close the price gap between virgin and recycled materials.

Why is the initiative important?

The strategic significance of the CEA lies in its potential to address a triple challenge: economic security, environmental crisis, and industrial competitiveness. Firstly, it could act as a geopolitical shield; by mandating the recovery of materials, especially critical, from waste streams – such as permanent magnets from electric vehicles and rare earths from e-waste – the EU could reduce its reliance on volatile foreign supply chains, thereby supporting the objectives of the Critical Raw Materials Act. Secondly, the economy faces growing vulnerabilities as material supplies tighten, while health and the environment are increasingly threatened by the impacts of unsustainable resource use. With the United Nations calculating resource extraction and processing responsible for around 50 % of global greenhouse gas emissions and 90 % of biodiversity loss, and a product's design responsible for around 80 % of its environmental impact, the CEA is a crucial initiative to

address these intertwined environmental and societal pressures. Finally, transitioning to circularity is projected to increase EU GDP by up to 0.5 % and create approximately 700 000 new jobs, particularly in the labour-intensive repair and recycling sectors.

Member States' positions

Among **Member States**, the current trio of Member States holding the Council Presidency (Poland, Denmark, Cyprus) put forward the following priorities: Common priority (1 January 2025-30 June 2026): circularity viewed primarily through a competitiveness lens; Denmark (1 July 2025-31 December 2025) committed to prioritise negotiations to strengthen the circular economy and increase the EU's strategic autonomy by improving security of supply of key natural resources; Cyprus (1 January 2026-30 June 2026) is already engaged in sharing concrete good circularity practices it implements.

At the **Council** Working Party on Environment (WPE) meeting on 6 October 2025, circular economy discussions, guided by a steering note from Denmark, were included on the agenda with the aim to develop an EU environment ministers' position on 'Europe's Environment – Building a more circular and resilient Europe'. In addition, the Council, responding to European Court of Auditors' Report No 17/2023 on circular economy, expressed its expectations for new Commission proposals to further develop the framework for circular, safe, and sustainable products and waste. Earlier, in June 2024, the Council called on the Commission to establish 'an EU long-term objective for sustainable resource use' and assess 'the setting of ambitious and economically feasible science-based targets to keep material and consumption footprints within the planetary boundaries'. It also acknowledged 'the EU's material and consumption footprints are still far beyond what is sustainable within the planetary boundaries and that progress on circular material use is too slow'. The Council recalled the existing EU commitment under the 8th environmental action programme: 'to significantly decrease the Union's material and consumption footprints so as to bring them into planetary boundaries as soon as possible, including through the introduction of EU reduction targets'.

Interested parties' opinions

Findings from scientific and specialised bodies include:

- **EEA State of the Environment (2025):** The EEA report emphasises that current consumption patterns are 'unsustainable' and that technology alone cannot decouple growth from environmental degradation without absolute reductions in resource use.
- **Circular economy as a lever for 'open strategic autonomy' (2025):** A publication from the Joint Research Centre (JRC) argues that EU circular economy policy must be explicitly integrated with strategic autonomy goals to succeed, framing circularity as a geopolitical necessity.
- **Competitiveness of recycled materials (2024):** a JRC publication demonstrates that while recycling construction and demolition waste offers significant environmental benefits, economic barriers that favour cheap virgin materials necessitate policy intervention on pricing.
- **International Resource Outlook (2024):** The Global Resource Outlook 2024 warns that material use has tripled in the last 50 years and calls for high-income regions like the EU to lead in reducing their material footprint.
- **Lack of harmonisation:** some papers (e.g. R. Arbolino et al. and V. Sanz-Torró et al.) highlight that discrepancies in national implementation of circular economy rules risk reducing the effective and homogeneous achievement of common EU-wide goals.
- **Over-reliance on recycling and the need for upstream circularity reform:** a 2023 analysis from the Public Services International Research Unit (PSIRU), as well as a scientific article, outline that the EU's circular economy policies focus too much on recycling and waste management while neglecting upstream measures such as prevention, reuse, repair, and product longevity. The PSIRU analysis also highlights stagnating circularity metrics and lost opportunities for resource

consumption prevention. It calls for a systemic shift in the waste hierarchy, stronger incentives for reuse and remanufacturing, and policies that reduce material consumption.

Industry associations broadly support a CEA that strengthens the EU market for circular materials while maintaining predictable and investment-friendly regulation. They generally support the creation of a single market for recyclates but emphasise the need for an enabling economic framework rather than punitive regulation.

- BusinessEurope calls for a harmonised and innovation-oriented framework that boosts investment and deploys digital tools such as product passports.
- Cefic (European Chemical Industry Council) stresses the need for regulatory coherence and clear investment signals to scale up circular feedstocks, expand green public procurement, and harmonise 'end-of-waste' and by-product criteria.
- Plastics Europe similarly emphasises the importance of expanding both chemical and mechanical recycling, improving design for recyclability, and creating stable demand for recycled plastics through standards and procurement rules. Recycling and waste-management industries associations share many of these priorities but place stronger emphasis on market functioning and practical barriers.
- EuRIC (European Recycling Industries' Confederation) and FEAD (European Waste Management Association) call for harmonised end-of-waste rules, streamlined and enforceable EPR systems, fewer administrative constraints, and faster permitting to unlock new recycling capacity. They expect the CEA to stimulate demand through mandatory recycled-content targets and green public procurement, while improving separate collection and preventing illegal waste exports.

Non-governmental organisations also support the development of the CEA to tackle issues from previous strategies. Overall, NGOs want a CEA that fundamentally reduces Europe's material consumption, prioritises prevention, reuse, and repair, and ensures a safe, equitable transition beyond recycling alone.

- The European Environmental Bureau expects the Commission to introduce science-based material and consumption reduction targets, strengthen eco-design for durability and reparability, and deploy fiscal tools – such as taxes on virgin materials, reformed EPR, and circular public procurement – to make prevention, reuse, repair, and remanufacturing more competitive than linear production.
- The Environmental Coalition on Standards similarly calls for binding resource-reduction measures and longer product lifetimes. It also places particular emphasis on ensuring a toxic-free circular economy with strict chemical safety rules for both products and recycled materials.
- Zero Waste Europe advocates for a socially fair, safe, and systemic transition driven by targets for resource use, waste prevention, bio-waste treatment, and recycled content, alongside stronger EPR, safer product standards, and better support for reuse-based business models; it also encourages using the EU Carbon Border Adjustment Mechanism to reward low-carbon and recycled materials and help fund circular infrastructure.

Consumer and worker representatives also stress the importance of a circular economy:

- A European Consumer Organisation (BEUC) position paper of August 2025 calls to speed-up the adoption of eco-design rules, for a correct transposition of the right to repair to foster sustainable consumption and clear legislation on environmental claims to protect consumers from greenwashing. It recommends the upcoming CEA goes beyond recycling.
- The European Trade Union Confederation (ETUC) and IndustriAll Europe stressed the circular transition must be a just transition, which has failed so far (ETUC press release and Rogers et al., 2024). In 2022, an IndustriAll position paper urged investment, infrastructure, and policies that enable industrial-scale circularity (reuse, secondary materials, symbiosis), while ensuring social safeguards and active worker participation through social dialogue and training. The association stresses the circular economy must integrate social, health, environmental and industrial objectives, not focus solely on one aspect.

Finally, **think-tanks** broadly agree that the CEA must drive a system-wide shift from the EU's linear resource dependence toward a resilient, low-material, and competitive economic model, using clear targets and structural reforms to reduce consumption, strengthen secondary-material markets, and operate within planetary boundaries.

- Bruegel proposes building a European circular single market that boosts competitiveness and economic security by harmonising rules, removing barriers to secondary materials, and reducing reliance on imported raw materials.
- The Club of Rome calls for binding material-footprint reduction targets and a deep transformation of Europe's economic systems – prioritising sufficiency, wellbeing, and resource justice, as well as strong international leadership to advocate for materials targets in global fora (UN Environment Assembly, G20, etc.).
- The Institute for European Environmental Policy argues for enforceable targets on material consumption and secondary-material use, backed by measures to expand recycling markets, increase recycled-content uptake, and invest in circular infrastructure.

European Parliament views

In its resolution on the Clean Industrial Deal (June 2025), the European Parliament recognised the transition to a decarbonised and circular economy can only be successful when competitiveness is maintained. It welcomed the Clean Industrial Deal to strengthen Europe's industrial competitiveness and explicitly encouraged the inclusion in the CEA of measures to increase the 'use and affordability of strategic secondary materials' within the EU to secure supply chains.

In April 2025, Parliament adopted a resolution on energy-intensive industry, stressing 'that the upcoming CEA should improve resource efficiency, including through better waste management of products containing critical raw materials, as well as fostering the demand and availability of secondary raw materials'.

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