

THE EU CIRCULAR ECONOMY ACT

**Key policy levers
for Europe's
industrial strategy**

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KEY POLICY RECOMMENDATIONS

Delivering on the objectives of the EU Clean Industrial Deal, the Circular Economy Act is a time-critical opportunity for European and national policymakers to strengthen policy efforts on competitiveness, industrial decarbonisation, and economic resilience for the years to come. By rapidly aligning regulatory requirements and fiscal incentives across the EU single market without further delay, the Circular Economy Act can enable a European secondary raw materials market and circular business models to succeed, while harmonising environmental and industrial policy goals.

1

ENABLING A EUROPEAN SINGLE MARKET FOR CIRCULAR SOLUTIONS

Currently, fragmented and diverging implementation of product-related requirements, Extended Producer Responsibility (EPR) obligations, and waste management rules obstruct scaling of markets for secondary raw materials and circular business models in Europe.

Therefore, the Circular Economy Act could:

- Harmonise circular economy and waste definitions, streamline EPR implementation and develop End-of-Waste (EoW) criteria — where applicable across all Member States — while also ensuring compatibility and operability beyond the EU borders
- Establish a digital ‘one-stop shop’ for EPR registration and reporting, develop EU-level criteria for the eco-modulation of EPR fees, and provide clarity on common rules for Producer Responsibility Organisations (PROs)
- Leverage information requirements across different legal frameworks to create a standardised data foundation for the phased rollout of Digital Product Passports (DPP).

CORE MESSAGE:

Circular solutions must move freely throughout the European single market and beyond.

2

LEVERAGING FISCAL AND DEMAND LEVERS TO TACKLE COMPETITIVENESS CHALLENGES

Circular solutions remain disadvantaged by economic incentives that ignore environmental externalities and distort markets through, for example, double taxation of pre-owned goods. While recognising the EU’s limited competencies in this area, a more targeted dialogue with EU Member State representatives and economic experts could help to level the playing field.

Therefore, the Circular Economy Act could:

- Support EU Member States to coordinate on the implementation of reduced VAT rates for repair, reconditioning, and resale of second-hand or refurbished goods
- Establish simplified VAT rules for reused and refurbished goods traded cross-border within the EU, reducing administrative burdens and double taxation risks
- Require that EU Member States apply common rules and frameworks to implement effective circular public procurement practices, including the explicit consideration of Products-as-a-Service offers alongside refurbished and remanufactured products.

CORE MESSAGE:

Price and demand signals could make reuse, repair, refurbishment, and remanufacture more accessible and affordable options for public and private buyers in Europe.



STRENGTHENING CIRCULAR SUPPLY AND VALUE CHAINS THROUGH INDUSTRIAL COLLABORATION

Value chain-specific collaborative platforms could develop strategic investment pipelines linked to sectoral circular economy strategies and EU funding priorities, enabling more resilient European markets. If designed effectively, these alliances can foster continuous, structured dialogue among industry and finance players, EU institutions, and (sub-) national governments.

Therefore, the Circular Economy Act could:

- Initiate or refine industrial alliances, bringing together manufacturers, service providers, infrastructure operators, recyclers, and investors in high-impact supply and value chains
- Support Trans-Regional Circularity Hubs that cluster sorting, repair, remanufacturing, and recycling infrastructure and technologies across borders, linked to EU funding instruments and regional development programmes
- Integrate key circular economy innovations, skills, and investments into industrial policy and public finance priorities, and mobilise private finance through de-risking instruments that enhance bankability of circular business models and accelerate implementation of strategic projects.

CORE MESSAGE:

Aligning on a shared regulatory, investment, and innovation agenda allows for scaled implementation of circular solutions in Europe.

WORKING TOWARDS INTERNATIONAL ALIGNMENT

The EU could also use the Circular Economy Act to drive international alignment on circular rules, data, and markets. By embedding circular trade provisions in its external partnerships — including mutual recognition of circular standards, protocols for secondary material flows, and strategic offtake arrangements — the EU can turn the Act's objectives into shared ambitions, reducing protectionism risks and amplifying the global impact of European circular solutions.



01

**WHAT WE
NEED TO
FOCUS ON**

AN ECONOMIC IMPERATIVE FOR EUROPE

Delays in the transition to a circular economy carry growing economic and social costs — making it time-critical to establish the circular economy as a strategic pillar for European competitiveness, industrial decarbonisation, and economic resilience.¹ For a growing group of businesses, circular economy strategies are becoming a source of competitive advantage, strengthening supply chains and reducing exposure to material risks, while opening new revenue opportunities at the same time as mitigating environmental impacts.

This transition is taking place in a context where technological disruptions, environmental shocks, resource price volatility, and geopolitical tensions are rapidly reshaping European economies, often much faster than existing policy frameworks.² As supply chains that once seemed stable become increasingly fragile, the linear ‘take-make-waste’ economic model stands exposed: breaching planetary limits, deepening social instability, and failing to deliver the resilience businesses urgently require.

According to the European Environment Agency, the EU is currently not on track to meet its target of doubling the circular material use rate to 24% by 2030.³ This slow progress is rooted in a market that remains heavily skewed towards a linear model, where refurbished goods and secondary raw materials cost more — or are perceived as being of lower quality — compared to new manufactured products and virgin raw materials. Yet accelerating the shift to the circular economy brings clear de-risking benefits: it decouples prosperity from non-renewable resources, safeguards natural capital, builds business resilience, and mitigates environmental costs, thereby stabilising the real economy and financial system.

The forthcoming EU Circular Economy Act is an imperative for both national and European policymakers to accelerate this economic transition by overcoming obstacles like regulatory and market fragmentation. By shifting the policy focus towards strengthening competitiveness, the Circular Economy Act can address structural barriers to the EU internal market, harmonise rules and incentives, and improve resource productivity. While in some sectors circular business models are already growing faster than linear ones, it is now time to scale these economic opportunities for Europe by closing the price gap and reducing import dependencies.

To support the EU Clean Industrial Deal’s objectives, this white paper proposes three strategic policy levers for the upcoming Circular Economy Act:

- (a) enabling an EU single market for circular solutions,
- (b) leveraging fiscal and demand levers to tackle competitiveness challenges, and
- (c) strengthening circular supply and value chains through industrial collaboration.

AN OPPORTUNITY TO ENHANCE POLICY COHERENCE AND EFFECTIVENESS

In their December 2025 Council Conclusions,⁴ the EU Environment Ministers voiced strong support for the Circular Economy Act, focusing on strengthening competitiveness and economic resilience, aligning environmental and industrial objectives, removing legislative obstacles to circular economy progress, and improving policy coherence and implementation.

Strategic focus should now be directed toward streamlining the current EU acquis to ensure its full effectiveness, building on the strength of existing regulations and their active implementation. The EU Circular Economy Act could complement measures already foreseen in the EU Bioeconomy Strategy,⁵ the RESourceEU Action Plan,⁶ and the Industrial Accelerator Act.⁷ It could also build on recently proposed regulatory changes, for example on circularity requirements for vehicle design and management of end-of-life vehicles,⁸ the Critical Raw Materials Act,⁹ the Environment Omnibus Regulation,¹⁰ and the Plastics Circularity Package.¹¹

In addition, the EU Circular Economy Act can create synergies between the EU’s industrial and environmental goals by using fiscal and demand levers to bolster competitiveness. This requires a coherent policy framework built on regulatory complementarity, value retention, and targeted strategies for specific supply and value chains.

A close-up photograph of a person's hands pouring ground coffee from a black manual grinder into a clear glass jar. The coffee is falling in a steady stream, creating a dynamic sense of movement. The background is softly blurred, showing other coffee-making equipment. The overall lighting is warm and focused on the action of pouring.

02

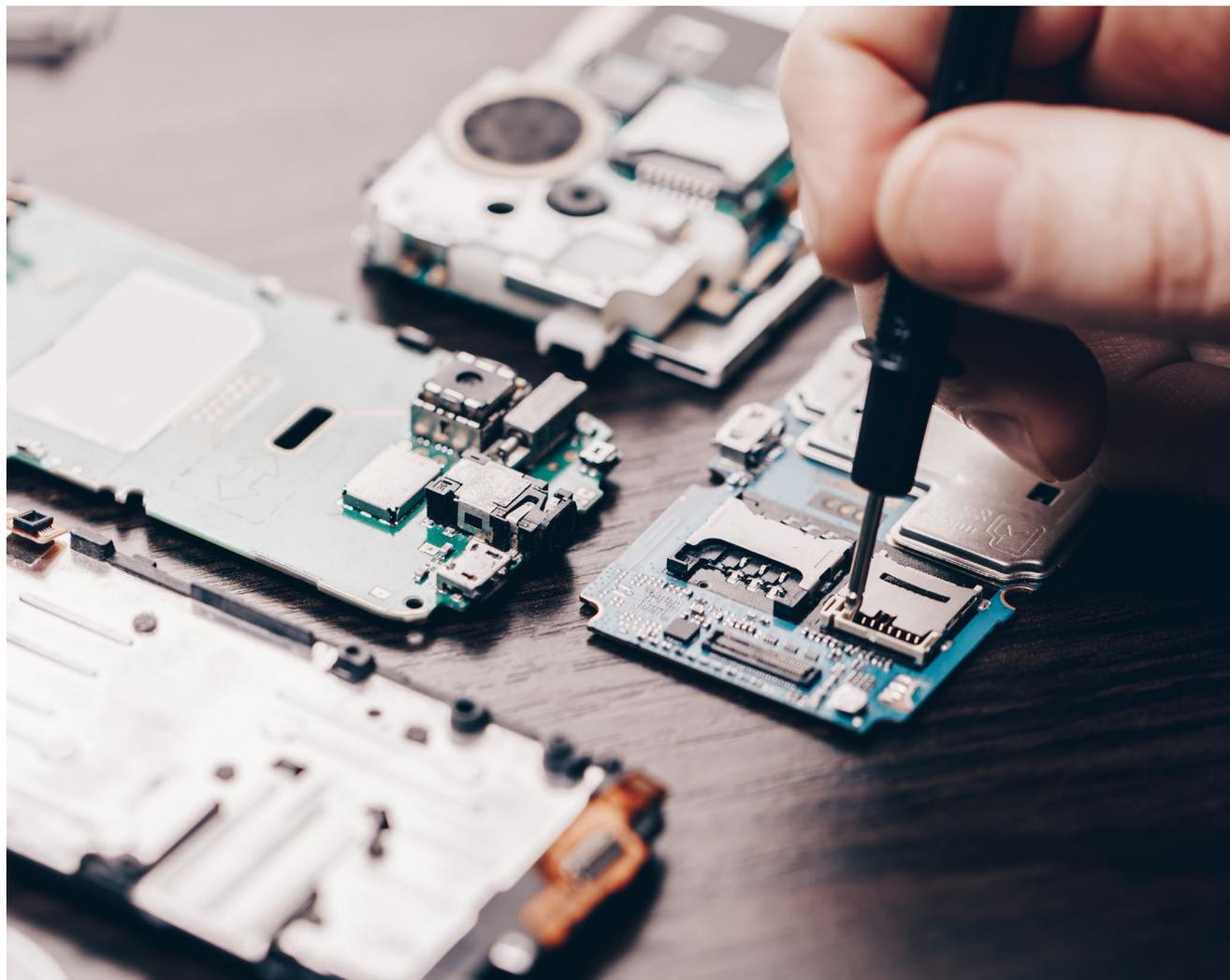
**ENABLING
AN EU SINGLE
MARKET FOR
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ENABLING AN EU SINGLE MARKET FOR CIRCULAR SOLUTIONS

While significant challenges in promoting and scaling material recycling remain, there is also a growing recognition of the need for a strategic shift 'upstream' on the part of businesses and civil society actors. To truly unlock industrial competitiveness, additional policy efforts are required to promote waste prevention and reuse. To scale investments in circular business models, ranging from repair services to refurbishment platforms, predictable rules are needed that are applicable across the whole European market.

This requires the removal of regulatory barriers both at European and Member State level that prevent secondary raw materials, as well as used products and components, from moving across borders within the EU. This would enable business models to become more efficient, attract high-quality investment flows, and further develop innovation, thereby creating the conditions for strengthening Europe's competitiveness and resilience.

The upcoming EU Circular Economy Act can provide this backbone by harmonising key definitions, waste-shipment rules, end-of-waste criteria, and Extended Producer Responsibility (EPR) rules, while streamlining product, waste, and internal market legislation. Ultimately, keeping products and materials in use would become the more economically viable option compared to their disposal.



OVERCOMING REGULATORY FRAGMENTATION ACROSS EU MEMBER STATES

Divergent national rules on how to process used products and material streams according to their waste status currently raise transaction costs and disrupt cross-border circular value chains. Harmonised concepts, digital tools, and streamlined procedures are essential to unlock scale for circular business operators and secondary raw materials markets.

Priorities for the EU Circular Economy Act

Identify additional material streams for which EU-harmonised end-of-waste and by-products criteria could be established. These criteria could enable the safe reuse of waste products and secondary raw materials, with particular attention to multimaterial and minimally processed products (e.g. treated wood) that currently face disproportionate administrative and technical hurdles.

Revise the WEEE (Waste from Electrical and Electronic Equipment) Directive to introduce more realistic targets differentiated by more granular product categories, facilitating separate collection and incentivising reuse and refurbishment, as well as design for circularity.

Ensure that waste shipment rules allow moving waste materials and products for recycling and preparation for reuse in another EU country under simplified, risk-based procedures.

Create a common EU glossary for circular economy concepts (reuse, refurbishment, remanufacturing, recycling, end-of-life, pre-consumer and post-consumer waste) and custom codes for reused products and recycled materials, as well as a legal differentiation between refurbishment and remanufacturing. These definitions must also be reflected in the delegated acts under the EU taxonomy for sustainable activities.¹²

Questions for further consideration

How can the EU accelerate the agreement of these criteria while balancing the level of granularity, legal certainty, administrative feasibility, and the need to allow for innovation and adaptation over time?

Which elements of the WEEE Directive require the EU single market as legal basis to address regulatory fragmentation?

How could they be linked to the Ecodesign requirements developed under the Ecodesign for Sustainable Products Regulation (ESPR) to reduce value destruction and material losses in end-of-life treatment?

How can the EU digital system for waste shipments address existing cross-border barriers while providing a reliable tool for traceability of waste streams, given there are still large differences between Member States in their capacity to recover waste in an environmentally sound manner?

What governance process is needed to keep definitions updated and aligned with global standards to support monitoring and trade as new circular economy technologies and business models emerge?

THE BUSINESS CASE FOR CIRCULAR PRODUCT DESIGN

Circular product design is a precondition for high-quality reuse, repair, and recycling. Yet companies — particularly SMEs and start-ups — still face higher upfront costs linked to technological innovation and first-of-a-kind investments. They also face low availability of secondary raw materials and risks from limited access to finance. This is specifically relevant for use-based business models such as leasing, pay-per-use, and product-as-a-service that depend on robust residual-value assessment and asset-lifecycle data.

By reinforcing implementation of EU harmonised design requirements alongside demand-side and financial measures — including de-risking instruments to improve bankability — the Circular Economy Act can turn circularity into a mainstream profitability driver rather than just a compliance issue and sustainability add-on for businesses.

Priorities for the EU Circular Economy Act

Reinforce implementation of design-for-circularity requirements through delegated acts under the ESPR and the Packaging and Packaging Waste Regulation (PPWR), ensuring consistent methodologies for reparability, recyclability, and recycled content, and aligning these with the low-carbon labels foreseen under the Industrial Accelerator Act (IAA).

Once common methodologies and standards for circular design are established, provide an EU platform for Member States to align their national policies and practices to reward products that demonstrably enable reuse, repair, refurbishment, and high-quality recycling as well as business models that extend product lifespan through rental and resale.¹³

Leverage information requirements across different legal frameworks to create a standardised data foundation for the phased rollout of Digital Product Passports (DPP).

Questions for further consideration

Which product-related performance metrics (lifespan, number of use cycles, reparability scores) best correlate with economic and environmental value retention across different product categories?

Where do we need to take product- or material-specific considerations into account?

How could lifecycle data and impact assessments be used to calibrate bonus-malus schemes?

How can exemptions under EU chemicals legislation be streamlined that allow the presence of legacy chemicals in reused products and spare parts that are assessed to be safe during use?

What is needed to maximise utilisation of DPPs and to ensure that they remain adaptable to market innovations and circular business models evolving over time?

How can DPPs be used for low-carbon verification and performance classes under the IAA?

A REBOOT FOR EXTENDED PRODUCER RESPONSIBILITY SYSTEMS

Extended Producer Responsibility (EPR) regulations have a crucial role to play in improving governance and performance of collection, reuse, and recycling systems — but too often, weak enforcement without meaningful consequences prevents them from meeting their objectives. Existing EPR systems typically focus on financing end-of-life treatment, with limited impact on incentivising upstream measures such as waste reduction, circular product design, reuse, and repair. To address this, EPR fee structures and allocation of funds must be aligned to legally defined targets, implemented alongside harmonised rules for streamlined reporting and data access. This should be backed up by robust enforcement mechanisms to enhance compliance, transparency, and accountability of Producer Responsibility Organisations (PROs).

Priorities for the EU Circular Economy Act

Introduce a central EU-level digital ‘one-stop shop’ to register for and report to multiple EPR schemes: start with creating a single website based on harmonised forms and data requirements that could be further developed as single interface that is interoperable across different sectors and (sub-) national systems to reduce compliance costs and support data-driven policymaking.

Set EU-wide requirements for EPR implementation: including product identification (e.g. through EU Combined Nomenclature codes)¹⁴ and definition of obligated producers, data, and reporting requirements.

Define EU-harmonised criteria for eco-modulation of EPR fees that reflect the waste hierarchy, and make it mandatory for all PROs to apply them in the calculation of their fees.

Exempt second-hand products already placed on the EU market from paying duplicate EPR fees, and simplify registration for imported used goods to reflect their limited remaining lifespan.

EPR compliance could support efforts on waste prevention, quality-preserving separate collection, and extraction of recyclable materials from mixed waste prior to incineration or landfilling — where this is necessary to meet EU targets.

Questions for further consideration

How can such a system be implemented to minimise administrative burdens and help SMEs that market their products via online sales platforms?

How far could the EU go in specifying minimum governance standards for PROs (e.g. stakeholder representation, public oversight, disclosure obligations)?

What else can be done to establish common rules for the costs to be covered by PROs and for the allocation of their funds?

How can EPR rules prevent practices that may use ‘second-hand’ status to circumvent environmental responsibilities?

Which mechanisms can the CEA deploy to reward good or penalise bad EPR performance?
 What is the appropriate role of PROs in promoting waste minimisation and reuse?
 Which incentives can the CEA create for PROs to recirculate secondary raw materials within Europe?



03

**LEVERAGING FISCAL
AND DEMAND
LEVERS TO TACKLE
COMPETITIVENESS
CHALLENGES**

LEVERAGING FISCAL AND DEMAND LEVERS TO TACKLE COMPETITIVENESS CHALLENGES

Fiscal and economic incentives are often misaligned with how our economies have evolved: Government revenues still rely heavily on taxing work and employment, while at the same time resource depletion, pollution, and waste generation are driving costs up for public budgets. As economies age, automate, and decarbonise, such systems currently penalise labour-intensive circular business models and continue to reward virgin material consumption and throughput.

Various economic policy instruments could be adapted to a) recalibrate the pricing of products and services to reflect their true environmental impact or b) assign specific environmental performance goals to businesses. There is a real opportunity for the EU Circular Economy Act to support Member States applying fiscal incentives for circular value creation in a more coherent manner while avoiding further fragmentation of the single market and externalising environmental and economic costs.

Within the context of the EU's limited competences in these policy areas, the European Commission could establish a structured dialogue with EU Member State representatives and economic policy experts to coordinate the modernisation of relevant national tax and state-aid frameworks, mobilising targeted fiscal levers, such as VAT reductions, and demand-side levers, such as public procurement. By streamlining the implementation and use of these economic instruments, including a more consistent use of subsidies and tax exemptions and elimination of double taxation across EU Member States, circular solutions could become more accessible and affordable for private households, businesses, and public buyers.



VAT REFORMS FOR REPAIR, RECONDITIONING, AND SALE OF SECOND-HAND OR REFURBISHED GOODS

Existing VAT regimes in EU Member States are often barriers to scaling repair, reconditioning, and remanufacturing activities, as well as the sale of second-hand products. Current rules remain outdated, fragmented, and administratively burdensome — particularly for cross-border and platform business models. They can also inadvertently penalise multi-life assets by subjecting the same product to repeated taxation and compliance costs throughout successive use cycles, undermining access- and leasing-based models that keep products in use for longer.

Therefore, VAT policy must evolve beyond the existing margin scheme¹⁵ to actively support circular solutions that are often characterised by labour-intensive processes (such as repair, preparation for reuse, reverse logistics), and high-volume, low-margin transactions. Coordinated implementation of reduced VAT rates for repair, reconditioning, and resale activities within the EU single market would enhance affordability for consumers and incentivise business investment, providing a strong market signal to shift demand while sustaining local jobs. This could also include more flexible and harmonised VAT treatment for second-hand or refurbished goods across EU Member States and simplified compliance for reuse and repair operators.¹⁶

Priorities for the EU Circular Economy Act

Align EU Member States on the need to reform their national VAT legislation and apply reduced VAT rates to repair and reconditioning services, as well as for the sale of second-hand or refurbished products.

Simplify and harmonise VAT treatment of second-hand products and service-based models such as leasing, for example by aligning margin schemes and clarifying cross-border rules to reduce costs for refurbishers, reuse, or leasing operators.

Ensure coherence between VAT incentives and EPR fee structures so that overall price signals systematically favour repair and reuse over replacement.

Questions for further consideration

Which changes would require a further amendment of the EU VAT Directive, for example to expand reduced rates beyond the categories and product scopes listed in Annex III?

How can VAT rules be designed to accommodate cross-border refurbishment flows, product-as-a-service models, and digital resale platforms without creating loopholes, excessive administrative burdens, or double taxation?

How can policymakers monitor the combined effect of VAT and EPR on consumer prices to avoid unintended regressive impacts or market distortions?

MANDATORY RULES FOR INCLUDING CIRCULARITY IN AWARD CRITERIA FOR PUBLIC PROCUREMENT

Public procurement can create powerful demand signals for circular products and services across industrial sectors like energy generation and infrastructure; buildings and construction; logistics, transport and vehicles; ICT, furniture or textiles. Alongside price, environmental impact and circularity potential could be decisive factors when awarding contracts.

Yet implementation of circular procurement criteria and practices remain patchy across the EU. Lower upfront costs are often prioritised over total value. Sometimes circular service models are not even allowed to be considered as an alternative, or the purchase of already used products is excluded.

Effective circular public procurement requires public buyers across national, regional, and local levels to streamline their rules and to integrate mandatory considerations into their practices. It is important to ensure consistency between the product- and sector-specific aspects that will be defined as part of delegated acts under the ESPR, or in the upcoming IAA for the procurement of low-carbon products, in line with the planned revision of the Public Procurement directives.¹⁷

Priorities for the EU Circular Economy Act

Introduce binding circular procurement award criteria for public buyers, for example consideration of circular service offers, repair or take-back clauses, use of recycled materials, refurbished or remanufactured products.

Require lifecycle costing or value-based criteria (durability, reparability, service models) in tender evaluations to avoid defaulting to the lowest upfront price.

Use public procurement to aggregate demand for circular services (e.g. multi-buyer framework contracts for repair and reuse).

Ensure that all products and services purchased as part of projects funded by the EU Regional and Cohesion Policy¹⁸ meet minimum circular performance standards.

Questions for further consideration

How can public buyers explicitly allow for 'access over ownership' models such as performance-based services alongside refurbished or remanufactured products?

What is needed to ensure coherence with the forthcoming revision of the EU public procurement directives?

How can framework agreements be designed so that SMEs and social enterprises such as reuse and repair operators can participate alongside large service providers?

What circular procurement rules — if any — are currently applied to purchases as part of EU-funded projects, and how can they be strengthened and enforced?

An aerial, high-angle photograph of a port at night. The scene is illuminated by warm yellow lights from cranes and buildings. Numerous colorful shipping containers (red, blue, green, orange) are stacked in neat rows on the ground. Several large cargo ships are docked at the pier, with their decks visible. The overall atmosphere is one of industrial activity and logistics.

04

**STRENGTHENING
CIRCULAR SUPPLY
AND VALUE
CHAINS THROUGH
INDUSTRIAL
COLLABORATION**

DEMAND AGGREGATION AND STRATEGIC INVESTMENTS

Effective implementation of circular economy solutions requires coordinated action along entire value chains, from material sourcing, system and product design, to reverse logistics, resource pooling, reconditioning, and secondary raw material markets, as well as the financing structures that underpin multi-cycle asset use and cross-border redeployment. The EU Circular Economy Act can foster industrial collaboration around resilient circular supply and value chains to establish stronger demand signals, governance platforms, and investment frameworks that help key sectors redesign industrial ecosystems around value retention rather than throughput.

Recognising the need for structured collaborative platforms that bring together manufacturers, circular service providers, infrastructure operators, recyclers, and investors in high-impact sectors, the European Commission could initiate or refine industrial alliances¹⁹ as part of the EU Circular Economy Act to work on aligned regulation, investment, skills, and innovation agendas.

These can address, for example, the following ‘circular supply and value chains’:

- **Packaging:** Beyond the current focus of the existing Circular Plastics Alliance, there is a need for industry collaboration along the whole packaging value chain. Collaborative efforts could reinforce existing packaging regulations by tackling single-market and trade barriers for scaling circular solutions for waste prevention, reuse, and refill, as well as high-quality recycling across EU Member States.
- **Apparel and textiles:** Industry collaboration is essential to tackle a high-impact, fast-growing waste stream, including through promoting robust markets for secondary fibres and circular business models. There is also a key opportunity to jointly shape the implementation of the emerging regulatory frameworks for EPR, separate collection, and ecodesign.
- **Consumer electronics and electric vehicles:** Both sectors are characterised by high material value, rapid innovation cycles, and significant potential for reuse, repair, component recovery, and secondary material supply. Various regulatory and policy frameworks²⁰ require alignment between product design and waste management, while supporting strategies to keep products and components in use at their highest value.

Increased industrial collaboration along circular supply and value chains could, for example, inform future Industrial Accelerator Acts, developing EU joint undertakings, or facilitating long-term offtake agreements. To effectively aggregate demand for circular solutions, coordinate strategic investments into circular economy infrastructure, or launch skills and employment initiatives, a close collaboration with national governments, cities, and regions will be key. Trans-Regional Circularity Hubs could address important infrastructure and technology gaps between EU Member States. Limited processing capacity in some countries necessitates cross-border waste transfers. By developing strategic remanufacturing and recycling clusters linked to measurable sectoral targets, the hubs can improve efficiency and circular outcomes.

UNLOCKING PRIVATE FINANCE TO SCALE CIRCULAR VALUE CREATION

Private capital markets often ration finance for circular economy investments due to high perceived risks, long holding periods, and upfront CAPEX with distributed cash flows, for example for reverse logistics and Product-as-a-Service models. This underfinancing is acute for disruptive innovations and disproportionately affects SMEs and start-ups reliant on external funding — including asset-finance providers that enable leasing, pay-per-use, and product-as-a-service models — trapping many projects at pilot scale rather than industrial deployment.

The EU Circular Economy Act can catalyse scaling of solutions by facilitating public-private financial instruments that de-risk the investment phase. Blended finance structures — such as loan guarantees, first-loss facilities, or dedicated EU facilities via EIB/EIF and InvestEU — would mobilise private capital volumes needed for circular infrastructure and technologies. Some EU banks have pioneered such instruments for circular economy funding, and the EU Multiannual Financial Framework could prioritise infrastructure and technology investments to leverage these, for example through the establishment of Trans-Regional Circularity Hubs.

The Digital Product Passport (DPP) could emerge as a key financial lever beyond compliance: pilots using DPP data, for example on durability, reparability, and maintenance history, can better assess residual-asset values, enhancing bankability for lenders and lessors that manage assets across multiple life cycles. Complementing this, strategic Secondary Material Purchase Agreements — modelled on renewable Power Purchase Agreements (PPAs) — could secure long-term, bankable contracts between producers, recyclers, and public buyers, focusing on critical and strategic materials. An EU Secondary Materials Platform (akin to the Raw Materials Information System — RMIS) would aggregate demand, boost transparency, and provide price visibility for investor certainty.

Priorities for the EU Circular Economy Act

Establish or reinforce EU-level industrial alliances to strengthen circular supply and value chains for priority sectors with clear mandates, work programmes, and indicators.

Support Trans-Regional Circularity Hubs that cluster sorting, repair, remanufacturing, and recycling infrastructure and technology across borders — and promote them as circular economy complements to industrial manufacturing acceleration areas under the IAA.

Align skills and employment initiatives with circular value chain needs, including repair, remanufacturing, and engineering.

Questions for further consideration

How can such ‘circular value chain alliances’ be structured to engage SMEs, municipalities, and civil society meaningfully while remaining focused and implementation-oriented?

Which regions and value chains are most suitable for early hub pilots and how could responsibilities be shared between EU, national, and regional levels?

What role can the EU funded Circular Cities and Regions Initiative (CCRI)²¹ play in this context?

How can just-transition and skills policies be integrated so workers in linear industries can move into emerging circular business roles?



05

**WORKING
TOWARDS
INTERNATIONAL
ALIGNMENT**

WORKING TOWARDS INTERNATIONAL ALIGNMENT

International policy alignment on the circular economy transition is essential to bringing scale, because European industry depends on cross-border material, product, and data flows that cannot be fully governed by EU law alone. The EU could therefore seek to create close collaboration and synergies with existing global and regional initiatives,²² using these as proactive platforms for multilateral cooperation and trade integration.

For example, a European Single Market for waste, used products, and secondary raw materials will interact constantly with non-EU markets through imports and exports: divergent rules can create leakage of waste and pollution rather than genuinely promote circularity. If third-country producers are not subject to comparable obligations, they can free-ride on EU systems, distort competition, and weaken polluters-pay policy signals. This creates a structural imbalance that directly inhibits the EU's ability to meet its own goals. Internationally coordinated policy approaches can shift entire value chains — not just European segments — towards scaled solutions for repair, reuse, resale, refurbishment, remanufacturing, and recycling.

The EU's vision is to become a world leader in the circular economy by 2030, which requires large-scale investment in circular solutions, rollout of digital product passports, and deployment of relevant technology and infrastructure projects. Investors and multinational companies prefer interoperable rules across major markets. Alignment on definitions, metrics, and data tools lowers transaction costs and accelerates deployment of circular business models globally.

To position Europe as an attractive partner in the global circular transition, the EU could start including a dedicated Circular Trade Chapter in EU trade agreements and plurilateral frameworks. These chapters could feature for example Mutual Recognition Agreements (MRAs) on circular standards, protocols on secondary material flows, strategic offtake agreements for critical and strategic materials, and common targets on realising a circular economy with important trade partners.

ENDNOTES

- 1 European Commission, [The Draghi report on EU competitiveness \(2024\)](#)
- 2 Ibid.
- 3 European Environment Agency, [Circular material use rate in Europe \(2025\)](#)
- 4 Environment Council, [Meeting notes 16 December 2025 \(2025\)](#)
- 5 European Commission, [Bioeconomy Strategy \(n.d.\)](#)
- 6 European Commission, [RESourceEU Action Plan \(2025\)](#)
- 7 European Parliament, [Industrial Accelerator Act \(2026\)](#)
- 8 European Parliament, [Circularity requirements for vehicle design & management of end-of-life vehicles \(2025\)](#)
- 9 European Commission, [Critical Raw Materials Act \(n.d.\)](#)
- 10 European Commission, [Simplification of administrative burdens in environmental legislation \(2025\)](#)
- 11 European Commission, [New package of measures to boost circular economy and strengthen Europe's plastic recycling \(2025\)](#)
- 12 European Commission, [EU taxonomy for sustainable activities \(2026\)](#)
- 13 This could be a process linked or complementary to the [European Semester](#).
- 14 The EU Combined Nomenclature (CN) is an 8-digit coding system used for customs duties, import/export declarations, and trade statistics. It incorporates the 6-digit Harmonized System (HS) with further EU subdivisions, updated annually, and published in the Official Journal of the EU. CN codes determine tariff rates, anti-dumping measures, and quotas.
- 15 European Commission, [VAT Special Schemes \(n.d.\)](#)
- 16 Such measures could be brought forward as part of the [EU's Clean Industrial Deal](#), either through a dedicated Green VAT Initiative or through the EU Circular Economy Act
- 17 European Parliament, [Public Procurement Act \(2026\)](#)
- 18 Key funds include the European Regional Development Fund (ERDF) for development, the Cohesion Fund (CF) for infrastructure in less prosperous nations, the European Social Fund Plus (ESF+), and the Just Transition Fund (JTF).
- 19 Industrial alliances initiated by the European Commission cover already circular economy aspects - at least to some extent - in the batteries, plastics and critical raw materials sectors.
- 20 Such as the EU Batteries Regulation, the Critical Raw Materials Act, the End of Life Vehicles Regulation or the ReSourceEU Action Plan
- 21 European Commission, [Circular Cities and Regions Initiative \(n.d.\)](#)
- 22 Such as the [G7 Alliance on Resource Efficiency](#), the [G20 Resource Efficiency Dialogue](#), the [Global Alliance on Circular Economy and Resource Efficiency \(GACERE\)](#), the [Latin America and the Caribbean Circular Economy Coalition](#), and the [African Circular Economy Alliance](#)

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