



Deutsche Umwelthilfe



Position paper

The European Circular Economy Act: Paving the way for a resilient and sustainable economy in the EU

As German environmental NGOs, we are calling for lawmakers to cover the following core elements:

1. The waste hierarchy must be reinforced and strictly implemented
2. Binding targets must be introduced for primary resource consumption and waste prevention
3. Comprehensive tax reforms to promote the circular economy must be adopted
4. The long-term funding of circular economy measures must be consolidated and expanded
5. Extended Producer Responsibility (EPR) should be reformed and harmonised across the EU
6. Regulatory gaps with regard to electrical and electronic equipment must be closed
7. The quality and safety of recycled materials must be ensured

Thanks to several pieces of legislation and other initiatives, the European Union has made considerable progress towards a circular economy over the last ten years. However, key circular economy indicators, such as the circularity rate and per capita consumption of primary raw materials, suggest that the EU is still some way from achieving substantially closed loops and effective resource conservation. This means that **the potential contribution of the circular economy to a sustainable, secure and competitive Europe, as well as its enormous potential for greenhouse gas savings and for shaping industrial policy, remain untapped.**

In times of increasing instability, reducing resource wastage and implementing strategic resource management are not just ecological necessities; they become geostrategic and economic imperatives. This is the only way the EU can make itself less vulnerable to fluctuating raw material prices and shortages while at the same time strengthening its independence. This is where the **Circular Economy Act (CEA)** an-

nounced by the European Commission can step in if, as a framework law, it closes gaps in existing legislation, improves the implementation of measures and removes obstacles to circular economy business models.

1. Reinforcing and strictly implementing the waste hierarchy

The CEA must focus on **implementing the waste hierarchy** and prioritise measures at every level. **The top three R-strategies – Rethink, Reduce and Refuse** – offer the greatest leverage for reducing resource consumption and its environmental impacts. They lower input costs, reduce materials dependency and promote innovation. These goals can be achieved by - for instance - introducing binding targets for primary resource consumption, designing appropriate Extended Producer Responsibility schemes and implementing tax reforms (see demands 2, 3 and 5). Targeted social and organisational innovation and behavioural change should also be encouraged.

Mid-level R-strategies such as Reuse, Repair, Refurbish and Remanufacture should also be reinforced in the CEA by means of the following strategies and measures:

- Regulatory barriers must be systematically removed so that business models based on innovative circular strategies of this kind can be scaled up.
- Research in this area must be provided with more funding. Industrial policy support programmes should explicitly address these waste prevention and reuse strategies.
- The fields of action proposed in the Clean Industrial Deal, such as expanding investment in secondary raw materials or the 'Transregional Circularity Hubs', should not focus exclusively on waste management and recycling, but also on areas such as reuse, refurbishment, remanufacturing and sharing systems. In this way, Europe can position itself as a global pioneer for circular business models.

Another key element in **strengthening mid-level R-strategies** is the introduction of cross-product regulations **to promote the repair of goods (also known as the right to repair)**. Currently, only a few product groups benefit from this. **The Ecodesign for Sustainable Products Regulation (ESPR)**, to which the Repair Directive refers, should therefore be extended much quicker to other product groups. This requires the creation of additional capacity both in the European Commission and in environmental organisations, for example through the LIFE programme. In addition, the Repair Directive should also include product groups such as vehicles and batteries which are subject to separate regulation and not currently covered by the Ecodesign Regulation.

2. Introducing binding targets for primary resource consumption and waste prevention

To reinforce the top-level R-strategies and to tackle systemic domestic overconsumption, the EU should focus more strongly **on sustainable resource management** in the future. Analogous to the climate protection targets, **binding European targets for primary resource consumption** are therefore needed in the CEA. **These should be measured as 'raw material consumption' (RMC)** and specified in terms of time-based and sectoral subsidiary targets to reduce the material footprint as quickly as possible to a level that remains within planetary boundaries.¹ The research of the International Resource Panel suggests that a

¹ Cf. Umweltbundesamt (2025): *Zirkuläres Wirtschaften als Beitrag zur nachhaltigen Entwicklung in unsicheren Zeiten*, S.37: https://www.umweltbundesamt.de/sites/default/files/medien/479/publikationen/uba_diskussionspapier_zirkulaeres_wirtschaften_barrierefrei_0.pdf (last accessed 14.10.2025)

sustainable global target — as a guideline — is to limit per-capita material consumption to about six to eight tons per year by 2050.²

In the setting and implementation of these targets, **lessons must be learned from previous target-setting efforts that have not been sufficiently effective**. In the future, targets should be reviewed regularly and tightened up if necessary. They should be underpinned by adequate measures and economic incentives and be binding for both Member States and economic actors. In addition, attention must be paid to monitoring and enforcement systems when implementing circular economy targets and binding sectoral targets for primary resource consumption.

To move from waste and secondary raw materials management to strategic resource management, the CEA should also integrate binding targets into the Waste Framework Directive: **waste reduction targets** for residual waste in the construction and industrial sectors **need to be systematically defined**, as do target values for the maximum proportion of certain components in residual waste (e.g. organic waste, wood, plastics, etc.).

3. Adopting comprehensive tax reforms for the promotion of the circular economy

The Circular Economy Act should **help make resource-efficient production and consumption practices more financially attractive**. Alongside the already announced green VAT reform which strengthens circular strategies such as reuse or refurbishment, **a more far-reaching tax reform to promote the circular economy is also needed**. EU Member States should be given more leeway to reduce the tax burden on circular services such as repairs or sharing models.

At the same time, landfill and waste incineration must be included in the EU Emissions Trading System in line with their climate impact. Carbon capture at the point source (CCS) and the associated exemption from emissions trading must not counteract efforts to reduce the overall volume of residual waste.

4. Consolidating and expanding long-term funding for circular economy measures

To realise the potential of the circular economy in the EU, sufficient funding is needed. This requires a **substantial increase in public funding for the circular economy from the Multiannual Financial Framework (MFF)**. At least 50% of all EU expenditure should be compulsorily linked to the six environmental objectives of the EU taxonomy – including the objective of ‘a transition to a circular economy’.

The LIFE programme plays a very important role in the funding of high-quality and innovative projects related to the circular economy. This programme must continue as a separate funding instrument in the next MFF.

The **financing of circular business models**, which often only becomes economically viable in the medium term, remains a key obstacle. To overcome this hurdle, targeted financial support and the **systematic scaling up of successful industrial and entrepreneurial innovations** are needed. To this end, the following financing instruments and structures should be **strengthened** at European level, with additional efforts required to make them accessible to SMEs and start-ups:

- Loans on preferential terms for resource-efficient and circular business models.
- Financing vehicles such as 'circular economy bonds' as a specific type of transformation bonds.

²International Resource Panel (2014): *Managing and Conserving the Natural Resource Base for Sustained Economic and Social Development*, <https://www.resourcepanel.org/reports/managing-and-conserving-natural-resource-base-sustained-economic-and-social-development> (last accessed 14.10.2025)

- CE-linked loans, analogous to sustainability-linked loans, in which loan terms are tied to the achievement of circularity targets.
- The systematic establishment of public-private partnerships (PPPs) to mobilise private capital through public sector funding.
- The identification of 'Important Projects of Common European Interest (IPCEI)' for circular economy technologies, as proposed in the Clean Industrial Deal.

Furthermore, public procurement should **be used to significantly increase demand for environmentally friendly goods, services and infrastructure in the future**, and to facilitate their expansion. To this end, the CEA **should establish binding criteria for environmentally friendly and circular public procurement**.

5. Reforming Extended Producer Responsibility (EPR) and harmonising it across the European Union

To date, the implementation of **Extended Producer Responsibility (EPR)** has varied greatly between EU Member States. Furthermore, European EPR regulations are not aligned with the waste hierarchy as established by the EU. As a result, manufacturers still do not bear sufficient responsibility for the environmental impact of their products. EPR must therefore be reformed and harmonised across the EU.

The CEA should introduce a requirement for producers to join collective '**Producer Responsibility Organisations (PROs)**' under the EPR (known as 'system participation obligation') and thus pay EPR contributions. This would enable better enforcement and ensure that environmental targets are met. In line with the waste hierarchy, these **EPR contributions** should be used specifically to promote prevention, (preparation for) reuse, collection, sorting, repair and recycling and reuse systems, as well as communication with consumers.

Part of the EPR contributions should also be **channelled to countries receiving exports of used goods and waste, to support the development of sustainable end-of-life facilities there**. For contributions to be levied throughout the EU for these purposes in the future, the legal framework in the EU Waste Framework Directive and in regulations governing product and material flows - such as the Waste Electrical and Electronic Equipment (WEEE) Directive - must be amended accordingly.

The EU-wide introduction of contributions under EPR also enables **effective eco-modulation**, whereby more environmentally harmful products are subject to higher contributions and products with high levels of circularity are exempted. This would encourage circular approaches and services, such as circular product design. To this end, the EU should establish uniform, transparent and ambitious criteria that go well beyond the minimum legal product requirements and embody aspects such as reuse and waste prevention.

Particular attention must be paid to online trading **via online marketplaces**, as these currently harbour numerous loopholes. Many products offered online violate existing eco-design requirements or fail to meet EPR obligations. This has adverse environmental impacts, but also leads to market distortions, as European companies are disadvantaged if they comply with the requirements while others circumvent them. Due diligence and verification obligations are therefore needed for online marketplaces. It is important to ensure that there is a responsible party for the **due diligence obligations** of the products on offer – otherwise, the online platform must take on these obligations. In addition, the online marketplace must check before sale whether the product comes from a registered manufacturer and whether all EPR and ecodesign obligations (e.g. take-back obligations for retailers, or information obligations such as the display of an energy label) have been fulfilled. Measures successfully introduced already, such as the obligation for online marketplaces in Germany to check the registration of electrical appliance manufacturers, or full fallback liability for online marketplaces in France, must be enshrined in European law.

Significantly **more products should ultimately be covered by EPR** for the full potential of EPR to be realised. These include, for example, furniture, mattresses, carpets, household items and construction products. In addition to the general requirements outlined here, further obligations on manufacturers should be introduced through product-specific regulation.

6. Closing regulatory gaps for electrical and electronic equipment

Correctly treating electrical and electronic equipment is crucial for the sustainable use of our resources. However, as the WEEE Directive has so far only contributed to a limited extent to improving recycling, reuse and material recovery, there is an urgent need to strengthen the regulatory framework.

All manufacturers should be required to join a collective PRO, which would be subject to **binding quotas for the collection, recycling and preparation for reuse** of used electrical equipment. Universal targets are not enough, as the example of Germany shows: the current collection rate is only around 30%, even though the EU target is 65%. Without clear legal obligations, binding on manufacturers and/or their PROs, the existing targets will remain largely ineffective. In addition, the reform of the EPR system for electrical and electronic equipment as described under point 5 must be implemented as part of the reform of the WEEE.

To boost recycling, the adoption of the EN 50625 technical standards of the European Committee for Electrotechnical Standardisation (CENELEC) should also be made mandatory. These standards ensure the proper and environmentally friendly treatment of used electrical equipment and are also supported by numerous recyclers and producer responsibility organisations.

7. Ensuring the quality and safety of recycled materials

The European Commission has announced plans to introduce **quotas for recycled content** for further materials and sectors to support the development of a secondary market for recycled materials and to supplement existing recycling targets. **In the elaboration of these targets, care should be taken to ensure that:**

- The targets refer exclusively to post-consumer recyclates and in the case of plastics do not include bio-based materials,
- incentives are created for high-quality recycled materials from the EU and strict quality controls are put in place,
- imported recycled materials comply with EU standards to exclude hazardous substances and prevent unfair competition,
- they are accompanied by an EU-wide landfill ban so that recycled materials become available in the first place.

The **construction sector**, for which no binding targets currently exist, should be a key target for the use of recycled materials. Plastics, steel, aluminium, copper and critical raw materials could be prioritised. To make the use of recycled materials mandatory not only in this area but in as many product groups as possible – and thereby to create both demand and investment confidence for high-quality recycled materials – **regulations for additional product groups should also be developed and applied with increased speed within the framework of the ESPR**. This requires additional capacity in the European Commission. At the same time, an ambitious **REACH reform** is needed to exclude harmful substances from secondary materials and thus ensure the quality of recycled materials. In addition, greater transparency is needed, for example through **improved information on harmful substances in products and materials**, this could be achieved by revising the **SCIP database and strengthening REACH Article 33**.