

Circular Economy Act

Contribution to the public consultation

Introduction

The EU's reliance on imported raw materials creates economic, ecological, and strategic risks. Building a sustainable and resilient resource supply is urgent — and circularity is essential for a clean, competitive European economy. Materials are essential for Europe's industrial economy and quality of life. Food, housing, and mobility systems together account for over 80% of the EU's total material footprint¹. The ongoing decarbonization and electrification of the economy are increasing demand for critical raw materials, which the EU largely imports from a small number of non-European countries, creating significant supply risks. The circular economy is recognized across industries and political camps as a key to the sustainable transformation – and offers a unique opportunity: Implemented correctly, the circular economy can reduce dependency on primary raw materials, make supply chains more resilient, create new jobs and markets, and contribute to the decarbonization of the economy, thereby protecting both the climate and the environment. It is a key strategy to reduce environmental pressures and strengthen economic autonomy.

Strategic Relevance of the circular economy			
	Economic	Ecological	Employment
EU	€250-465 billion annual savings ²	Up to 39% GHG emissions reduction globally ³	+ 700.000 jobs by 2030 ⁴
Germany	€12 billion GVA increase, up to 55% lower transformation cost ⁵	€157 billion environmental costs avoided globally ⁶	+ 120.000 jobs by 2030 ⁷

¹ European Environment Agency (EEA). *Europe's environment and climate: knowledge for resilience, prosperity and sustainability – Europe's environment 2025*. Luxembourg: Publications Office of the European Union, 2025. ISBN: 978-92-9480-731-1. DOI: [10.2800/3817344](https://doi.org/10.2800/3817344).

² <https://www.circle-economy.com/news/circular-economy-strategies-can-cut-global-emissions-by-39>

³ Circle Economy. *Circularity Gap Report 2021*. Amsterdam: Circle Economy, 2021. Available at: <https://www.circle-economy.com/resources/circularity-gap-report-2021>.

⁴ European Commission, *Impact of shift to circular economy*, Knowledge4Policy – Foresight, 2025. Available at: https://knowledge4policy.ec.europa.eu/foresight/topic/changing-nature-work/impact-shift-circular-economy_en. [knowledge4...europa.eu]

⁵ Deloitte & Bundesverband der Deutschen Industrie e.V. (BDI), *Nachhaltiges Wachstum durch zirkuläres Wirtschaften: Studie zur ökonomischen und ökologischen Bedeutung der Zirkulären Wirtschaft für den Industriestandort Deutschland*, Deloitte Deutschland, 2023. Online verfügbar unter: <https://www.deloitte.com/de/de/issues/sustainability-climate/zirkulaere-wirtschaft-studie.html>.

⁶ WWF Deutschland. (2023). *Modell Deutschland Circular Economy – Eine umfassende Circular Economy für Deutschland 2045 zum Schutz von Klima und Biodiversität*. <https://www.wwf.de/fileadmin/fm-wwf/Publikationen-PDF/Unternehmen/WWF-Modell-Deutschland-Circular-Economy-Broschuere.p>

⁷ Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), *National Circular Economy Strategy (NCES)*, Berlin, 2024. Available at: https://www.bmu.de/fileadmin/Daten_BMU/Download_PDF/Abfallwirtschaft/nationale_kreislaufwirtschaftsstrategie_bf.pdf

Current Challenge

Despite circularity being a priority in the Commission's Clean Industrial Deal, the EU has made little progress on growing the circular economy, with an investment shortfall of € 29 billion⁸. Currently, only 11.8% of material demand in the EU is met through recycling, far below the ambition to double the circularity rate by 2030¹. The Draghi Report states that investments are hindered by the absence of a single market for secondary raw materials, the low price of fossil-based primary feedstock and cheap secondary materials imported into the EU⁹. The transformation to a circular economy will only succeed if the economic framework conditions make it economically attractive.

The role of the CEA

The German Sustainable Business Association (BNW), representing forward-thinking companies across sectors and value chains, strongly supports the Circular Economy Act (CEA) as a cornerstone of the EU's Clean Industrial Deal and competitiveness agenda. Our members serve as leading examples for pioneering and creating circular and sustainable business cases. The CEA must serve as a strategic compass to reshape production and consumption patterns, strengthen resource sovereignty, and unlock market opportunities for circular business models. By doing so, it will foster a resilient economy, drive investment in innovation, and create quality jobs in a climate-neutral, future-proof economy. As BNW, we support European measures that are specifically aimed at leveraging the potential for innovative, circular materials and products as well as promoting the use of recycled materials. Equally important is improving the framework conditions for circular business models, including Reuse, Repair, Refurbishment and Remanufacturing. The CEA should promote the following guiding principles and legislative measures:

Guiding Principles for the CEA

1. The Waste Hierarchy, the Polluter-Pays Principle and "Do no significant harm" need to be the core guiding principles for the CEA.
2. The CEA should create a level playing field that explicitly promotes circularity across the entire product life cycle including Reuse, Sharing, Repair, Refurbishment, Remanufacturing, alongside high-quality Recycling as an end-of-life solution.
3. Ecodesign is the prerequisite for circularity. Without built-in durability, repairability and recyclability at the design stage, the intrinsic value of a product and its components is compromised from the start.
4. Regulations should reflect true pricing, accounting for environmental costs and CO₂ emissions across lifecycles, especially for financial incentives.
5. A functioning secondary materials market requires harmonized standards; imports must meet EU recycling and quality requirements.

⁸ European Environment Agency (EEA), *Circular economy financing and strategies*, in *Europe's environment 2025 – Thematic briefings*, Luxembourg: Publications Office of the European Union, 2025. Available at: <https://www.eea.europa.eu/en/europe-environment-2025/thematic-briefings/circular-economy-and-other-enablers-of-transformative-change/circular-economy-financing-and-strategies>.

⁹ European Commission, *The Future of European Competitiveness: A Competitiveness Strategy for Europe*, Publications Office of the European Union, Luxembourg, 2024. Available at: https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en.

Legislative Measures for the CEA

1. Align and streamline circular economy legislation

Problem: The legislative framework for the circular economy is quite fragmented, hindering companies to plan ahead, prepare and comply.

Solution: The CEA must streamline legislation and standardisation. This makes it easier for both corporates and SMEs to comply and authorities to enforce. This specifically refers to the Ecodesign for Sustainable Products Regulation (ESPR), the Waste Framework Directive (WFD), the Right-to-Repair (R2R), the Waste Shipment Regulation (WSR), the Construction Products Regulation (CPR) and the revision of the Directive on Public Procurement. Product regulation should define and enforce specific targets that are ambitious and yet realistic for companies to achieve. The CEA must ensure that definitions, criteria and quality standards among legislation are harmonised. Also, the CEA must synchronize the timelines for the product groups between the ESPR delegated acts, the R2R rules and the WFD. Regulatory barriers, such as the lack of EU-wide end-of-waste criteria, need to be identified and removed.

Additionally, the EU Commission is preparing a revision of the New Legislative Framework (NLF) and wants to adapt it to digital and circular economy requirements. The CEA should go hand in hand with the revision of the NLF. It should clearly define the roles and obligations of all economic actors along the product life cycle - from manufacturing and use to reuse, repair, refurbishment, remanufacturing and recycling. In doing so, it must be ensured that all actors in the circular economy, such as manufacturers, repair shops, refurbishers, reuse platforms, and recyclers, are included in product regulation in a legally secure and non-discriminatory manner.

2. Create lead markets through clean public procurement and recycled content quota

Problem: Circular products and materials remain comparatively expensive because current market structures fail to internalise environmental and social externalities. Virgin-resource products benefit from implicit subsidies - such as unpriced CO₂ emissions, ecosystem degradation, and waste management costs - while circular models bear upfront investments for design quality, circular material choices, repairability, and reverse logistics.

Solution: Despite preliminary additional cost compared to fossil-based primary products, policies should concentrate on lead markets that create demand for circular products, services or materials. Public procurement requirements and recycled content quota play a particularly important role here. Lead markets for circular products, business models, and materials create investment security for companies.

2.1. Public procurement: With over €2 trillion spent annually public authorities can drive demand for reused, refurbished, durable products and recycled materials and thereby provide strong market signals for companies to invest in circular technologies¹⁰. Despite legal flexibility to include environmental and social criteria, more than half of EU contracts are still awarded

¹⁰ European Commission. (n.d.). *Public procurement*. Single Market and Standards. Retrieved from https://single-market-economy.ec.europa.eu/single-market/public-procurement_en

solely on lowest price, limiting procurement's transformative potential for a circular economy¹¹. Therefore, the CEA should introduce harmonised mandatory sustainability criteria in Public Procurement. We propose the following measures:

- Define and implement “non-price” criteria (e.g. durability, repairability, reusability, recyclability and use of recycled material) for the evaluation and procurement of circular products and services.
- Introduce a CO₂ shadow price or consider life-cycle costs as an award criterion to determine the most economical offer.
- Recycling labels or circular economy labels can serve as proof of circular materials and products.

2.2. Recycled Content Quota: Wherever recycled raw materials are not yet competitive, recycled content quota can create the basis for a functioning market and provide security for the necessary investments along the value chain. When defining product requirements within the delegated acts of the ESPR, minimum recycled content quotas should be examined, particularly for electronics, textiles, metals, critical materials and plastics. The long-term goal must be to bring high-quality and competitive recycled material to the market that will eventually no longer require quotas but will be competitive on their own.

3. Introduce a Feed-in-Tariff for recycled materials according to their GHG Emissions

Problem: Draghi's report shows that the EU circular economy faces economic challenges, as the system favours single-use, linear, low-cost production. Secondary raw materials generally remain more expensive than primary materials.

Solution: To counteract this market failure, create investment security and boost demand for recycled materials, we propose a Feed-in-Tariff for recycled materials. This measure rewards the use of recycled materials in products based on reduced CO₂ emissions compared to using primary raw materials. The more recycled material companies use in their products, the bigger the financial incentive. By putting an economic value on avoided emissions, the scheme would strengthen the competitiveness of second-hand products and products containing recycled materials in the short term. On a larger scale, the Feed-in-Tariff would unlock investment in European recycling capacity. BNW drafted a [concept paper for a Feed-in-Tariff for plastic recyclates](#).

4. Transform EPR Systems through harmonisation and eco-modulation

Problem: The shortcomings of the existing Extended Producer Responsibility (EPR) systems fall into three main categories:

- 1) **Insufficient link to circular economy goals:** Most EPR systems still focus on end-of-life waste collection and recycling, rather than promoting reuse, repair, refurbishment and material loops. This limits their role as enablers of a true circular economy.

¹¹ European Court of Auditors (2023). *Special Report 28/2023: Public procurement in the EU – Less competition for contracts awarded for works, goods and services in the 10 years up to 2021*. Luxembourg: Publications Office of the European Union.
https://www.eca.europa.eu/ECAPublications/SR-2023-28/SR-2023-28_EN.pdf

- 2) **Weak incentives for eco-design:** EPR fees typically represent less than 2% of product costs, often as low as 0.1%, which is too small to influence product design decisions¹². As a result, producers lack strong economic motivation to improve durability, reparability, or recyclability.
- 3) **Fragmentation and lack of harmonisation:** Current EPR frameworks differ significantly across member states, creating complexity and high compliance costs for companies. This fragmentation undermines the single market¹³.

Solution: Extended Producer Responsibility (EPR) schemes are a key financial instrument and incentive for businesses and industry to embrace circularity. To ensure their effectiveness, current national EPR systems should be reviewed, harmonised, and reformed. We propose to implement mandatory EPR schemes with strong eco-modulation of fees for all waste-intensive sectors across the EU. EPR schemes should reward the environmental performance of a product or material over its entire lifecycle rather than simply covering waste management cost. We propose the following concrete measures for this:

- **Establish clear governance:** Introduce clear governance requirements for EPR schemes to prevent vested interests from suppressing high eco-modulated fees and circularity incentives.
- **Change the fee-structure:** Amend Article 8a of the Waste Framework Directive to allow producer contributions to exceed the costs necessary for cost-efficient waste management to also reflect environmental performance. Additionally, exemption from EPR fees for second hand and refurbished products can make circular products more accessible and support a healthy secondary market.
- **Establish a One-Stop-Shop for Compliance:** Create an EU-level digital One-Stop-Shop for information, registration, and reporting for economic operators.
- **Promote circularity through Eco-Modulation:** Eco-modulation must drive circular product design in EPR schemes: fees should be materially lower for products that are durable, reusable, repairable, recyclable, and contain recycled content, and higher for those that are not¹⁴. To be effective eco-modulation needs clear definitions and harmonized, transparent criteria. For consistency, eco-modulation should be aligned with circularity criteria under the forthcoming Ecodesign framework ensuring EU-wide coherence. Financial contributions should be differentiated by durability, reusability, repair, refurbishment, remanufacturing and recycling potential, keeping signals proportionate for SMEs. A practical architecture is a double-fee structure: one component for waste-management costs (set nationally) and a second, EU-harmonised component dedicated to the circular economy transition.
- **Harmonise Core Elements of EPR at EU-Level:** Core elements such as scope, fee structures, modulation criteria, and reporting frequency should be harmonised, alongside common definitions, datasets, and audit rules under Article 8a of the Waste Framework Directive.

¹² Zero Waste Europe. (2025, April). *Designing EPR to foster the EU's competitiveness and strategic autonomy*. Zero Waste Europe. https://zerowasteurope.eu/wp-content/uploads/2025/04/ZWE_Apr25_DesigningEPR_report.pdf

¹³ Ecommerce Europe. (2025, June). *EPR administrative burden study* (Version 5.0). Retrieved from https://ecommerce-europe.eu/wp-content/uploads/2025/06/EPR-Administrative-Burden-Study_v5.0-CLEAN.pdf

¹⁴ Minimum/maximum fee spreads need to be large enough to influence design choices. Bonus–malus structures and public criteria in France and Spain and advanced approaches in the Netherlands (packaging) and France (textiles, building materials) demonstrate that significant, administratively feasible modulation can steer markets.

5. Align taxes and subsidies with the circular economy

Problem: Even though the European Commission seems to support the concept of fading out fossil subsidies, EU member states spent € 111 billion on fossil fuel subsidies in 2023¹⁵. Currently, public subsidies and tax systems reinforce the existing competitive disadvantages for sustainable and circular technologies and hinder circular materials and products to establish themselves on the market.

Solution:

Phase out fossil fuel subsidies: Subsidies and funding for climate-damaging and resource-intensive practices and technologies must be stopped. A legislative framework is required to phase out fossil fuel subsidies in EU member states – as they create an unlevel playing field and conflict with the principle of true pricing. Eliminating counterproductive subsidies would have a double effect: In addition to creating budgetary leeway, fossil fuel subsidies should then be reallocated to promote infrastructure that enables reuse, repair, refurbishment and remanufacturing and recycling.

Use the VAT Directive to promote circular materials, products and business models: A successful transition to a circular economy requires a fiscal framework that rewards circular practices. Current tax systems often favour resource-intensive production, creating barriers for SMEs and sustainable business models. Member States must align economic incentives with environmental goals and strengthen competitiveness. To unlock the full potential of circularity, we call for targeted tax reforms, including reduced VAT rates for circular materials and products. The EU VAT Directive should be opened to allow member states to abandon VAT for second-hand and refurbished goods and introduce temporarily reduced VAT rates for a wide range of circular products.

6. Align the CEA with the EU Bioeconomy Strategy

Problem: Bio-based resources and products are essential for reducing fossil dependency and enabling renewable material cycles. Currently they are not integrated and aligned with the circular economy strategy of the EU. Without integration, policy frameworks risk remaining fragmented and innovation in bio-based circular solutions will be discouraged.

Solution: Bio-based solutions are part of the circular economy and have great potential to contribute to climate and resource protection. As a pioneer in bio-based technologies, Europe can set international standards for sustainable and resource-efficient production. Aligning the CEA with the forthcoming EU Bioeconomy Strategy would drive innovation and channel investments towards a market with high growth potential. To do this, we propose the following measures:

- Introduce a legislative framework in which Biological Circularity is recognized within the waste hierarchy and in recyclability definitions.
- Establish a definition of and distinction between bio-based, biodegradable and compostable materials.

¹⁵ European Commission. (2025, January 28). *2024 report on energy subsidies in the EU* (COM(2025) 17 final). Publications Office of the European Union. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0017>

- Ensure sufficient funding to companies in the bioeconomy to expand research and scale up the production of biobased materials and products.

7. Set up EU-Funding to boost infrastructure development and address market failures

Problem: The European Environment Agency has published a report stating the EU has made little progress on growing the circular economy, with an investment shortfall of € 29 billion¹⁶. While most of this investment must come from private money, the EU should see the circular economy as a strategic investment for securing competitiveness and resource sovereignty.

Solution: Set-up a specific Circular Economy Fund, drawing on budgets from the EU Innovation Fund and the European Competitiveness Fund, to provide funding for financial incentives for capacity building and infrastructure. The EU-level fund can support the development of repair, reuse and recycling infrastructure. Additionally, the fund can be used to address temporary market failures like in the plastic and textile collecting, sorting and recycling infrastructure.

8. Unlock the potential of circular construction

Problem: The construction sector remains a major contributor to climate change and resource inefficiency, accounting for 40% of EU greenhouse gas emissions and 35% of total waste¹⁷. A significant share of these emissions stems from embodied carbon in materials, yet only a small fraction of materials from demolition or renovation are reused. Materials with a high potential for reuse and recycling are too often landfilled or exported and treated as waste. European actors are facing a lack of harmonised procedures and an outdated legal framework that limits the possibilities for the use of reclaimed construction materials.

Solution: Direct reuse of construction components and materials is the most resource-efficient strategy. Despite growing global resource scarcity, it remains a niche practice. Expanding reuse, recycling, and the development of innovative building materials can unlock future-proof markets, strengthen European economic competitiveness, and enhance the resilience of raw material supply chains. We therefore propose the following measures:

- **Mandatory deconstruction and recovery plans:** Standardised requirements for dismantling, reuse, and recycling must be made binding to anchor circular construction practices. More specifically we support mandatory Pre-deconstruction Audits (PDAs) as a legal requirement to enable reuse and high-quality recycling. Where implemented, they have proven effective in retaining valuable materials in local markets, driving innovation, and improving legal compliance. The implementation of PDAs should be harmonized according to the standards developed by CEN/TC 350/SC 1 WG8.
- **Introduce CO₂ shadow pricing in public procurement:** A mandatory CO₂ shadow price should be applied in cost-benefit analyses and award criteria to prioritize low-emission materials in public tenders.

¹⁶ European Environment Agency (EEA), *Circular economy financing and strategies*, in *Europe's environment 2025 – Thematic briefings*, Luxembourg: Publications Office of the European Union, 2025. Available at: <https://www.eea.europa.eu/en/europe-environment-2025/thematic-briefings/circular-economy-and-other-enablers-of-transformative-change/circular-economy-financing-and-strategies>.

¹⁷ Severin, A., & Michalíková, M. (2024, March). *Policy brief on sustainable construction*. Interreg Europe Policy Learning Platform. <https://build-up.ec.europa.eu/system/files/2024-04/Policy%20brief%20on%20Sustainable%20construction.pdf>

- **Swift implementation of End-of-Waste regulation:** Accelerate the implementation of harmonised End-of-Waste criteria for construction materials to provide legal certainty, boost market confidence, and enable their broader use - particularly in structural applications – thereby unlocking new business opportunities.

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About BNW

At Bundesverband Nachhaltige Wirtschaft (BNW – German Sustainable Business Association), 700 companies are committed to modernizing the economy by providing innovative and future-proof solutions. Our members include sustainability pioneers such as VAUDE, GLS Bank, and Weleda, as well as major corporations like Remondis, dm-drogerie markt, and the OTTO Group. The BNW focuses on a range of key policy areas, including sustainable fiscal policy, the transformation of the energy system and the scaling of the circular economy.

Website: <https://www.bnw-bundesverband.de/>