

Feedback on the EU Circular Economy Act 2025

Berlin, 05.11.2025

Summary (max. 4000 characters)

As a consortium, we generally welcome the EU Commission's initiative to accelerate the transition to a circular economy through the Circular Economy Act (CEA). Our joint position builds on the policy expertise and practical experience of several regional networks: Circular Berlin (CB), Circular Black Forest (CBF), and Steinbeis Consulting Center Circular Economy, and the realisation of more than 20 projects on the topics of circular economy across Europe.

Together, we call for a comprehensive and enforceable CEA that promotes systemic circular economy practices, harmonises standards, and strengthens incentives, while empowering local and regional ecosystems to implement circularity across markets, governance, and society.

Political fields of action:

Harmonization:

Harmonized standards should also enable innovation in circular services, sharing platforms, and adaptive business models across EU markets.

Incentives:

Incentives should reward not only the use of secondary materials, but also strategies that extend product lifetimes, facilitate repair, and promote sharing or service-based solutions.

Investment promotion:

Support should target systemic innovations that close loops across supply chains, strengthen local circular ecosystems, and foster collaboration between SMEs, researchers, and municipalities.

Education:

Education and awareness campaigns should highlight the diversity of circular strategies, including systemic design, repair, reuse, and regenerative approaches to materials and resources.

Solutions based on identified problems:

Problem: Lack of demand for reuse and repair circular strategies as well as secondary raw materials

Solution:

- Introduction of economic mechanisms that enhance the attractiveness of circular solutions, without focusing solely on recyclates
- Tax benefits for products with a high content of secondary raw materials and incentives for products that enable repair, longevity, and adaptability
- Quality standards to support the use of reused components and modular design.

Problem: Inefficient extended producer responsibility systems.

Solution:

- EU-wide harmonization and digitalization of systems
- Introduction of mechanisms that reward circular-oriented design by reducing fees or charges for products that are durable, repairable, or easily recyclable.
- Extension of producer responsibility to the entire supply chain, including consideration of product lifecycle impacts beyond waste, as well as the products that end as waste outside the EU.

Problem: Insufficient public procurement of circular-oriented products.

Solution:

- Introduction of mandatory quotas for circular-oriented products in public procurement
- Training for procurement officers on evaluating circular criteria

- Development of standardized evaluation criteria for circularity across products, services, and business models

Problem: Lack of comprehensive circular business models.

Solution:

- Establish dedicated funding and support programs for startups and SMEs developing innovative circular business models; including the targeted creation of circular ecosystems and support structures to facilitate collaboration, knowledge sharing, and market uptake.
- Allow for regulatory sandboxes where new circular economy concepts can be tested and scaled, with existing regulations temporarily adapted as needed and results evaluated by designated experts to inform future scaling and regulatory adjustments.

Problem: Failure to account for full environmental costs.

Solution:

- Implement a robust carbon pricing mechanism expanding existing carbon trading and carbon border-adjustment mechanisms to fully reflect the true cost of emissions.
- Develop and integrate comprehensive life cycle assessment tools into product regulations
- Introduce tax reforms that shift the burden from labor to resource consumption and pollution

The consortium stands ready to contribute our expertise and practical experiences to the further design process of the CEA.

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Berlin, 05.11.2025

As a consortium, we generally welcome the EU Commission's initiative to accelerate the transition to a circular economy through the Circular Economy Act (CEA). The stagnating progress in this area clearly shows that decisive political action is urgently needed. Our joint position builds on the policy expertise and practical experience of several regional networks: Circular Berlin (CB), Circular Black Forest (CBF), and Steinbeis Consulting Center Circular Economy, and the realisation of more than 20 projects on the topics of circular economy across Europe.

Together, we call for a comprehensive and enforceable CEA that promotes systemic circular economy practices, harmonises standards, and strengthens incentives, while empowering local and regional ecosystems to implement circularity across markets, governance, and society.

Political fields of action:

1. The CEA must drive EU-wide harmonization of regulations and standards not only for products and materials but for circular strategies more broadly, including design, durability, repairability, and service models.
2. Effective incentives should support circular business models beyond material reuse, encompassing repair, sharing, and service-based approaches. This includes mechanisms to internalize environmental impacts, reflect the true costs of linear practices in market prices, and leverage tools such as tax benefits for value-preserving activities.
3. Targeted funding programs and tax incentives should support investments in circular-oriented technologies, infrastructures, and business models, especially for SMEs, encompassing innovations in product design, sharing economy platforms, and service-based models. Shift funding gradually toward circular solutions.
4. Comprehensive education programs and information campaigns are necessary to raise awareness of the importance of the circular economy among the population and businesses. This should include highlighting the full spectrum of circular economy principles, not just recycling.

Please consider the following topics for your work:

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[1. Market Transformation towards Circular Principles requires strong economic, financial and regulatory alignment.](#)

[Problem Definition](#)

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[2. Circular Governance and Policy Coherence](#)

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The Need for Systemic Acceleration

Despite growing awareness and numerous initiatives, circular economy implementation across Europe remains too slow to achieve systemic impact. While incremental steps can play an important role in building momentum, current efforts often stay confined to isolated projects and lack the structural integration needed to transform economic and social systems.

At the EU level weak incentives for secondary material markets, and limited enforcement capacity create uncertainty for businesses and public actors alike. At the municipal and regional level, cultural norms, budget structures, and data gaps hinder the mainstreaming of circular practices. At the German national level, changing policies further exacerbate uncertainties for businesses. While the National Circular Economy Strategy published last year raises hopes that necessary transformational levers will be pulled, linear systems continue to be subsidised, reducing incentives for companies to adopt circular business models.

The forthcoming Circular Economy Act must therefore:

- Provide a **coherent regulatory backbone** for circular transition.
- Align **economic incentives with sustainability objectives**.
- Enable **governance structures and cultural change** that translate ambition into daily practice.

Our joint position identifies three key fields of action that must be addressed in parallel:

1. **Circular Market Transformation**
2. **Circular Governance and Policy Coherence**
3. **Circular Culture and Social Transition**

1. Market Transformation towards Circular Principles requires strong economic, financial and regulatory alignment.

Problem Definition

While the Circular Economy holds significant value for businesses, investors, and the internal market, its potential is hindered by fragmented infrastructure and inconsistent regulatory frameworks across Member States. Investments in circular technologies and infrastructures remain challenging for SMEs due to uncertainty, limited incentives, and high upfront costs. Short-term thinking persists, and current metrics often fail to capture the full costs and risks, including resource scarcity, value-chain instability, and employee churn. As a result, the Circular Economy is frequently perceived as a cost rather than a strategic opportunity¹, leading to status-quo bias and underutilisation of its financial and resilience benefits.

Distorted Incentive Structures

- Current fiscal systems tax labour rather than resource use, making virgin raw materials artificially cheap and reducing competitiveness of recycled or reused materials.
- External environmental costs of linear production remain unpriced, resulting in a misallocation of capital towards resource-intensive production.
- Public procurement still prioritizes short-term cost savings over long-term circular value creation, which also affects financial institutions, creating funding and scalability challenges for circular solutions.

Lack of Understanding of the Economic Gains of Circular Economy

- Many companies, management teams, and funding institutions underestimate the financial and risk management benefits of circularity, such as resilience, customer retention, and reduced exposure to resource volatility.²
- Venture capital and financing bodies show low engagement due to unclear market demand for circular business models and lack of data on returns.
- A preference for short-term profit distribution and incremental improvements exists over systemic restructuring.

Inertia and Risk Aversion in Business Decision-Making

- Circular solutions are perceived as high-risk or experimental, leading to small and safe pilot projects instead of strategic transformation.
- Sustainability officers and CE coordinators in firms often lack decision-making power or integration into corporate governance. E. g. Start-Up Agenda Berlin 2022-26 does not mention circular economy or resource efficiency, signalling a weak policy signal for investors. A study conducted in Baden-Württemberg by Circular Black Forest together with Steinbeis-Beratungszentrum Circular Economy indicates that, while companies have started circular economy projects, circular economy is not yet an

¹ Handlungsfeld IV from Potenzialstudie Circular Economy (Ramboll, November 2023). Available at: <https://www.berlin.de/industriestadt/masterplan-industriestadt-berlin/projekte/anforderungs-und-potenzialanalyse-zur-circular-economy-im-industriellen-sektor-berlins-1399554.php>

² <https://www.ellenmacarthurfoundation.org/metrics-for-making-the-case-for-circular-business-models>

integral part of corporate strategies and governance. Moreover, risks associated with maintaining a linear economy — including volatile resource prices and supply disruptions resulting from scarcity of critical materials and geopolitical factors – are often underestimated, potentially leading to significant consequences for businesses.³

Financing Gap

- Circular start-ups face limited access to venture capital, and CE categories are missing from funding programs.
- Low virgin-material prices and subsidised linear models further discourage private investment (Ramboll, 2023).
- The local budgets for the circular economy agenda decrease, e. g. in Berlin it is expected to shrink after 2025 with the termination of the Innovation Support Fund (IFF), threatening the continuity of initiatives such as KEK and the Zero-Waste Agency.
- Financial institutions, banks and investors tend to prioritize business models with swift payback periods⁴

Joint Position and Recommendations

Incentive Systems

- Implement economic instruments that internalise environmental and social costs and reflect the true price of linear production, including carbon and resource pricing.
- Introduce tax reforms shifting the burden from labour to resource consumption and pollution.
- Establish mandatory quotas for the use of secondary raw materials in new products.
- Grant tax benefits for products with a high proportion of secondary materials.
- Introduce eco-modulated EPR systems⁵ that reward circular-oriented design and possibility for repair, penalise low recyclability as well as take responsibility for the waste export.
- Encourage companies to invest directly in emission reductions and circularity improvements within their supply chains, with measurable environmental credits that can be applied against their own sustainability targets. This creates incentives for suppliers to adopt low-carbon and circular solutions while ensuring that the purchasing company benefits from the resulting emissions reductions.

Investment Promotion and Access to Finance

- Create targeted EU and national funding programs for SMEs and start-ups developing circular business models and infrastructures.
- Establish dedicated financing mechanisms for innovation in product design, sharing platforms, and service-based business models.
- Encourage regulatory sandboxes that allow safe experimentation and scaling of new CE concepts, alongside the development of adapted financial risk models and

³ See: „Corporate Circular Economy Practices: A Study of Companies in Baden-Württemberg“ (MDPI Sustainability, 2022), <https://www.mdpi.com/2071-1050/14/3/1757>

⁴ <https://www.tandfonline.com/doi/epdf/10.1080/13504509.2024.2385772?needAccess=true>

⁵ Listed by KPMG (2023) as one of the key enablers of circularity. Source: KPMG – “Circularity Enablers: How Policy and Business Can Accelerate the Transition.

conditions that enable banks and investors to rationally assess and reward the long-term value and lower systemic risks of circular business models⁶.

- Support public-private partnerships to finance high-impact projects in refurbishment, reuse, and material innovation.
- Integrate circularity into venture capital frameworks, accompanied by guidelines on measuring long-term value creation and risk mitigation.

Knowledge, Transparency, and Cultural Change

- Promote increased and targeted cooperation across sectors and companies to drive innovation and build infrastructures needed for a circular economy
- Support open-data platforms showcasing economic performance and business cases for circularity.
- Publish sector-specific white papers and case studies demonstrating tangible financial gains (e. g. Siemens' secondary-copper initiative 2025).
- Promote executive education , capacity-building for management teams, cross-department education within companies, investors , and funding agencies on CE value creation.
- Research and innovation: Increased support for research and development in the field of circular economy to develop innovative solutions for complex recycling processes, as well as new circular business models and product-service systems.

2. Circular Governance and Policy Coherence

Problem Definition

Fragmented governance and inconsistent regulatory frameworks across Member States significantly slow down the circular transition, undermining the EU's ESG and Green Deal objectives, as these inconsistencies hinder the systemic implementation of sustainability and resource efficiency targets. Extended producer responsibility (EPR) systems differ in scope and enforcement, and most circular economy instruments lack binding force or effective monitoring. As a result, implementation remains uneven, and innovation is discouraged.

Integrated Local & Regional Governance Perspective

Circular Black Forest and Circular Berlin research collectively highlight that effective implementation requires robust regulatory and incentive frameworks, institutional ownership, and integrated governance across all levels. While municipalities and regions have initiated circular projects, challenges persist: circular objectives often exist, but are not mainstreamed into administrative structures, budgets, or regulatory procedures, and policy frameworks remain largely project-based and non-binding. Sectoral regulations, for example in construction or housing, sometimes conflict with circular principles, reflecting what the OECD describes as "fragmented responsibilities and limited enforcement capacities," which prevents systemic action and cross-departmental collaboration⁷.

⁶ Current financial systems primarily assess short-term financial returns and collateral-based risks, which do not adequately reflect the resilience and resource efficiency benefits of circular models (see Ellen MacArthur Foundation, "Financing the Circular Economy," 2021).

⁷ OECD (2025), The Circular Economy in Cities and Regions of the European Union, OECD Urban Studies, OECD Publishing, Paris, <https://doi.org/10.1787/e09c21e2-en>.

To overcome these barriers, local authorities need resources, expertise, and awareness to embed circular economy as a cross-cutting strategic issue rather than an “add-on topic.” Successful models, such as CO2 emission targets for construction projects in Denmark, can serve as examples for integrating CE into planning and operational procedures, fostering innovation. Aligning local and regional governance with EU ESG objectives – including the EU Taxonomy and CSRD – would ensure that circularity becomes a measurable, strategic component of sustainability reporting.

Harmonization and Policy Gaps

At the EU level, **fragmented regulations and standards** for secondary raw materials, and secondary products currently hinder efficient circular-oriented processes. Policy gaps identified include:

Policy Gaps

- Lack of coordination among EU, national, and local authorities; absence of a unified governance structure.
- Inconsistent and overlapping regulations, creating legal uncertainty for businesses.
- Weak enforcement and monitoring of circular policies; many remain voluntary or advisory.
- Insufficient data infrastructure to measure, compare, and report progress on circularity.
- No dedicated budget or funding lines for circular economy integration within public administrations.

This integrated perspective underscores that **systemic governance, harmonized regulations, and institutional capacity-building** are prerequisites for scaling circular economy initiatives from the municipal to the EU level.

Joint Position and Recommendations

1. Harmonisation and Standardisation

- Promote EU-wide harmonization of regulations and standards for secondary raw materials, and secondary products.
- Establish interoperable digital product passports to trace material origin, composition, and recyclability.
- Simplify and unify end-of-waste criteria through accelerated EU procedures and transparent digital platforms.

2. Establish a Coherent Governance Framework

- a. Strengthen existing mechanisms within the European Environment Agency or DG Environment to ensure consistent implementation and enforcement of the CEA.
- b. Require Member States to appoint **national and regional circular economy coordinators** with clear mandates and cross-sectoral authority.
- c. Integrate circular economy objectives into existing EU frameworks on climate neutrality, sustainable industry, and regional development.

2. Mainstream Circular Economy into Administrative Structures and Budgets

- a. Make it mandatory for Member States and major cities and regions to **include circular economy targets and indicators in their annual budgets and performance frameworks**.
- b. Promote interdepartmental collaboration and budgeting models that enable joint financing across environment, economy, and infrastructure portfolios.
- c. Encourage the development of **local circular economy strategies** aligned with national and EU targets, supported by technical assistance and dedicated funding streams.

3. Regulatory Coherence and Legal Alignment

- a. Strengthen **EPR systems** by harmonising scope, performance standards, and enforcement mechanisms.
- b. Ensure that sectoral regulations — for example, construction, procurement, or waste management — are aligned with circular economy objectives, avoiding contradictions such as those observed in Berlin's "Bau-Turbo" regulation (§246e BauGB).
- c. Require that **all new regulatory impact assessments** include evaluation of circularity impacts and material flows.

4. Data, Monitoring, and Open Information Systems

- a. Develop an **EU Circular Economy Data Framework** based on open data standards, enabling comparability of material flows, jobs, and circular activities.
- b. Support cities and regions in establishing **local circular economy dashboards** to monitor progress, modelled after the *Flanders CE Monitor* or *CityLoops indicators to drive discussion with relevant stakeholders*.⁸
- c. Encourage integration of **digital product passports**, procurement data, and waste statistics into a single European data architecture, ensuring traceability and transparency.
- d. Require regular **progress reviews** and performance audits for Member States and cities.

5. Strengthen Enforcement and Capacity Building

- a. Establish a **central European support and audit mechanism** for Member States to ensure compliance with CEA objectives.
- b. Provide **technical and financial assistance** to local administrations for capacity building in monitoring, data analysis, and enforcement.
- c. Encourage **peer learning platforms** among cities and regions to exchange governance innovations and practical tools.

3. Circular Culture and Social Transition

Problem Definition

Awareness of the circular economy among the general population and businesses remains limited. While recycling is widely recognised, broader principles such as product life

⁸ https://cemonitor.be/en/indicator/#pll_switcher

extension, sharing, repair, and sufficiency are not yet embedded in public understanding or everyday behaviour. Effective education and awareness programs are essential to build a societal foundation for the circular transition. Comprehensive education programs and information campaigns are necessary to raise awareness of the importance of the circular economy among the population and businesses. This should include highlighting the full spectrum of circular economy principles, not just recycling.

Circular Berlin's research expands this diagnosis by showing that **circular culture is not only about awareness, but about participation, accessibility, and social norms**. Circular practices often remain confined to small, motivated groups with high environmental literacy, while large parts of society face practical or economic barriers to engagement.

Barriers identified include:

- **Unequal access** to repair or reuse infrastructure.
- **Perception of circular products** as less convenient, more expensive, or lower quality.
- **Behaviour-attitude gap:** citizens express support for sustainability, but continue linear consumption habits.
- **Lack of visible role models and cultural narratives** that make circular lifestyles aspirational and socially valued.

These dynamics create a disconnect between **policy ambition and citizen participation**. Without cultural change, even well-designed circular policies struggle to gain legitimacy and scale. While structural consolidation across politics, business, and society remains a prerequisite for system-wide transformation, fostering participation and new cultural narratives will be essential to make circular lifestyles desirable and socially valued.⁹

Therefore, it is important to view the circular economy as a societal topic - as a transition towards a circular society (Hans Sauer Stiftung, Brandenburgische Technische Universität (2023)).

Linking efforts on market, governance and culture level simultaneously will ensure an economically viable, ecologically sustainable and socially just transformation. Fostering cross-sectorial, cross-organisational, multi-stakeholder approaches will be key to leading the successful transition towards a circular economy and society.

Policy Gaps

- Lack of binding strategies for public participation and circular education at EU level.
- Weak integration of circularity into **formal education, vocational training, and adult learning**.
- Insufficient recognition of **social and cultural enablers** within EU funding frameworks.
- Absence of inclusive programs ensuring access to circular infrastructures (repair cafés, sharing platforms, maker spaces).
- Missing link between **circular behaviour change** and economic and / or policy incentives.

⁹ See Bertelsmann Stiftung (2025), "Social Dimensions of the Circular Economy in Germany"; and Johanna Gollnhofer (2024), *Das 60 %-Potenzial: Mit Marketing die breite Masse für grünen Konsum begeistern*, Campus Verlag.

Joint Position and Recommendations

1. **Education and Lifelong Learning for Circular Literacy**
 - Integrate **circular economy and resource literacy** into school curricula, vocational training, and higher education across Member States.
 - Fund the development of **educational materials, teacher training**, and exchange programs connecting schools, businesses, and municipalities.
 - Promote **interdisciplinary training** that connects design, economics, and sustainability — preparing the next generation of circular professionals.
2. **Citizen Participation and Community Infrastructure**
 - Support the creation and scaling of **local repair and reuse networks**, circular labs, and sharing platforms accessible to all citizens.
 - Establish **EU funding windows** for municipalities and NGOs to maintain public repair infrastructures and community-led reuse programs.
 - Encourage **participatory budgeting** mechanisms that allow citizens to co-design local circular initiatives.
3. **Social Inclusion and Behavioural Change**
 - Recognise the **social dimension of circularity** — ensuring that circular lifestyles are not limited to higher-income or urban groups.
 - Provide **targeted subsidies and incentives** for low-income households to access repair services, refurbished products, or local sharing schemes.
 - Use **public campaigns** and storytelling to shift norms around ownership, repair, and reuse — making circular practices visible, credible, and attractive.
4. **Integration of Cultural Aspects into EU Circular Policy**
 - Require that **EU circular economy programs** include measurable social and cultural impact indicators alongside material and economic ones.
 - Support **cross-sector projects** linking arts, education, and sustainability to engage broader audiences in circular transition narratives.
 - Recognise **cultural institutions** (museums, design schools, media platforms) as key intermediaries in shaping public understanding of circularity.

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