A. Context, Problem definition and Subsidiarity Check

Context

In the Communication on the European Green Deal\(^1\), the European Commission committed to the adoption of a new Circular Economy Action Plan to accelerate and continue the transition towards a circular economy. The action plan will be adopted together with the EU Industrial Strategy in order to mobilise the industrial sector and all the value chains towards a model of sustainable and inclusive growth, ensuring efficient and clean resource cycles.

The European Green Deal highlights the potential of a circular economy for new economic activities and jobs. The Circular Economy Monitoring Framework already shows that 4 million people work in circular economy related activities, a 6% increase from 2012. These activities generated almost EUR 147 billion in value added in 2016. The new action plan will reinforce these positive trends.

The new plan will contribute to increasing the circularity of the EU’s economy, preserving its natural environment and supporting the contribution of the EU’s industry to achieve a climate-neutral continent. It will stimulate markets for climate-neutral and circular products and services, modernise the EU’s economy and reap the benefits of the transition in the EU and beyond.

Problem the initiative aims to tackle

Much remains needed to move away from a linear economy and mitigate its associated impacts on the environment, for example in terms of biodiversity loss and climate change.

Global material use has tripled in the past decades and without intervention, it is expected to double in the next 40 years. Recycled materials only meet 12% of EU’s demand for materials, leaving room for further improvements. Supply constraints and fluctuating prices for many of them (in particular of critical raw materials necessary for – inter alia – clean technologies, digital, space and defence applications) pose a strategic security challenge unless the EU delivers on the European Green Deal ambition.

The majority of products placed on the EU market today rely mainly on unsustainable and sub-optimal use of resources, leading to excessive production of waste, and increasing the environmental footprint of our economy instead of bringing the needed decoupling. These products are often not kept in the economy for long enough, causing loss of economic value and often intensifying the environmental impacts due to their premature replacement. This is especially true for sectors such as electronic and electric products, some plastic products and textiles.

In addition, EU citizens are increasingly aware of the impacts of their lifestyle, and are willing to act, yet they lack instruments and reliable information to make informed choices, increasing the consumption of short-lived products, that are not durable, reusable, and reparable.

These two aspects contribute to high levels of waste generation. Waste generated in Europe between 2010 and 2016 increased by 5%. The majority of this waste does not go back to the economy as a resource. Despite the steady progress in increasing recycling rates, still half of municipal waste is incinerated (27%) or landfilled.

\(^1\) COM(2019) 640 final
(23%). In addition, the EU exports millions of tonnes of waste abroad, sometimes with negative environmental and public health consequences in the countries of final destination, while resources for the circular economy domestically are lost.

The EU market for secondary raw materials remains to be further developed, even if many businesses and public buyers are ready to switch to recycled materials. Certain recycled materials are often less competitive due to their price, as well as to concerns on their safety, quality, and performance. Insufficient information regarding the presence or not of substances of concern in products and waste often hampers their recycling and uptake.

The deep transformation that the circular economy entails (e.g. impact on skills required for jobs) also comes with socio-economic and geographic consequences that will require to ensure no one is left behind and adequate investment opportunities to develop and deploy new technologies and infrastructure.

Expected global population growth and growing economic activities in other countries could aggravate the impacts of a linear model.

### Basis for EU intervention (legal basis and subsidiarity check)

Circularity and the reduction of the negative environmental impacts that the circular economy aims to address are an EU-wide issue, and there are cross-border effects both in terms of pollution and impacts on the EU internal market.

The initiative will focus on those actions with the greatest impact in increasing sustainable resource use, capitalising on the potential of a well-functioning internal market to support the uptake of circular solutions. This will reduce the risk of possible non-harmonised national measures hampering circular economy objectives.

Moreover, some of the problems to be addressed might have direct links with EU product, consumers and chemicals legislation and not be overcome without adequate action at EU level – for example through regulatory action or clarification of existing legislation.

Regarding waste management, an explicit mandate in the new EU waste legislation requires a review of existing law as well as considering additional measures for new waste streams. This will ensure legal certainty for economic operators, allowing smooth functioning of the internal market and a level-playing field in terms of environmental protection and resource efficiency.

### B. What does the initiative aim to achieve and how

The objective of the initiative is to speed up the transition, reaping the benefits of the circular model in the EU and abroad. The new Circular Economy Action Plan will guide the EU towards a long-term vision for a circular economy, responding to the commitments of the European Green Deal and contributing to achieving the Sustainable Development Goals. It will put forward a series of initiatives along the lifecycle of products and it will tackle resource-intensive sectors.

The new action plan will include a sustainable products policy, to boost design, production and marketing of sustainable products. The initiative will support design for circularity and provide tools to industry for better managing their supply chain. It will set minimum requirements to prevent environmentally harmful products from being placed in the EU market and identify options to prioritise reuse and repair before recycling.

The plan will also include measures to empower consumers to contribute to the circular economy. One of these measures will be to provide them with reliable, verifiable and comparable information on products’ sustainability features and tackle false green claims. Reliability of these environmental declarations will be ensured by substantiating them against robust methods.

The action plan will help reduce waste generation and support the modernisation of certain waste laws so that they further contribute to the circular economy. The action plan will also address the need to increase the amount of waste treated domestically, developing high quality recycling installations, and tackling the export of waste. The revision of the waste shipment regulation will be a key element in this regard.

The new action plan will foster a well-functioning and integrated internal market for secondary raw materials to ensure that they are safe, competitively priced and reliable. Opportunities of closing loops for biological materials will be considered.

In addition, the action plan will identify actions to address high-impact sectors such as textiles, construction, electronics. Targeted action might be also explored in other relevant sectors. In the case of plastics, actions will focus in particular on micro-plastics, requirements on packaging, and bio-based and biodegradable plastics.

The action plan will also seek to build European leadership at global level by working closely with our key global partners. The action plan will be sensitive to social and geographic impacts, by improving skills, supporting participation of SMEs and building capacity at subnational level. The action plan will address the enabling conditions supportive of a more circular economy, such as innovation and investment opportunities for circular business models and enabling technologies.
### C. Better regulation

#### Consultation of citizens and stakeholders

Several consultations targeting stakeholders, experts and the public at large have already taken place and provided extensive input on challenges to address to complete the transition to a circular economy.

Recent consultations on policy areas relevant to the circular economy:

- Yearly Circular Economy Stakeholder Conferences (**2017, 2018, 2019**)
- Public consultation addressing the interface between chemical, product and waste legislation (2019)
- Stakeholder workshops on the implementation and further development of waste legislation
- Public consultation on a European Partnership for a circular bio-based Europe (Horizon Europe programme) (2019)

No additional consultation planned. Stakeholders are therefore invited to submit feedback to this roadmap through the *Have Your Say* website.

#### Evidence base and data collection

The initiative will build on, and further expand ongoing or recent initiatives including:

- Reflection Paper for a Sustainable Europe by 2030 (2019)
- Staff Working Document on Sustainable Products in a Circular Economy (2019)
- Report on the implementation of EU waste legislation, including the early warning report for Member States at risk of missing the 2020 preparation for re-use/recycling target on municipal waste and reports on compliance promotion initiatives (2018)
- Environmental Implementation Review (2019)
- Resource Efficiency Scoreboard and Raw Materials Scoreboard.

Other studies can be used as a basis for analysis. While no impact assessment is foreseen for the New Circular Economy Action Plan, future initiatives announced in it which may have significant impact could be accompanied by an impact assessment as necessary, in accordance with the Better Regulation guidelines.