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The EU's Circular Economy Action Plan

Setting the world's largest single market on a transition towards a circular economy



The European Circular Economy Action Plan

The European Union adopted a comprehensive circular economy policy package in December 2015. This package of legislative and non-legislative initiatives, known as the *European Circular Economy Action Plan* (CEAP), set the world's largest single market area on a transition towards a circular economy. As one of the first major bodies of legislation and policy to promote a circular economy, it also provided one of the first blueprints for implementing circular economy policies across Europe and abroad.

The *Circular Economy Action Plan* (CEAP), mapped out 54 actions, as well as four legislative proposals on waste, containing targets for landfill, reuse, and recycling, to be

met by 2030 and 2035, and introducing new obligations, such as separate collection of municipal textile and biowaste.

The 2015 *Action Plan* aimed to boost jobs, growth, and investment, while promoting the transition to a carbon-neutral, resource-efficient, and competitive economy. These actions were put forward in the context of increasing global pressures on resources. Noting Europe's particular dependence on raw materials imports, there was additional interest in adopting circular approaches to strengthen resource security.

Origins

Prompted by resource price volatility, a dependence on imports of raw materials, and increasing pressure on resources, the European Commission adopted its *Roadmap for a Resource-Efficient Europe* in 2011. The roadmap aimed at decoupling resource consumption from economic growth. To provide high-level guidance and facilitate the transition to a resource-efficient economy, the *European Resource Efficiency Platform* (EREP) was launched by former European Environment

Commissioner Janez Potočnik in June 2012. This co-creation platform brought together stakeholders from different sectors and various experts, such as the Ellen MacArthur Foundation, Unilever, Veolia, Siemens, the European Environmental Bureau, University College London, OECD, UNEP, and the ministries for the Environment of Germany, Denmark, Italy, and Estonia among others. In its policy recommendations, the platform advocated for a transition towards a circular economy.

Source: © European Union

Caption: Jeremy Grantham, co-Founder and Chief Investment Strategist of GMO (Grantham, Mayo, Van Otterloo), John Bruton, Janez Potočnik and Ellen MacArthur, Chair of the Ellen MacArthur Foundation (from left to right)





Source: © European Union

Caption: Group photo of the Members of the European Resource Efficiency Platform, in the presence of Magda Stoczkiewicz, Director of Friends of the Earth Europe, Gianluca Galletti, Italian Minister for the Environment and Protection of Land and Sea, Bernadette Ségol, General Secretary of the European Trade Union Confederation (ETUC), Mercedes Bresso, First Vice-President of the Committee of the Regions (CoR), John Bruton and Janez Potočnik (in the 1st row, from right to left)

Timeline

In July 2014, the European Commission adopted a *Circular Economy Package*. This was put forward by Commissioner Potočnik and built upon the *Resource Efficiency Roadmap*. It included a series of initiatives such as the revision of waste legislation, a sustainable buildings initiative, a green entrepreneurship action plan, a green employment communication, and reporting on progress with the Roadmap. A communication on sustainable food systems was also drafted and proposed by Commissioner Potočnik, but met with resistance and did not become part of the adopted package. When the Juncker Commission took office later that year, it set the political priorities for its term. Due to a persistent misconception that the circular economy was purely an environmental policy - and hence reservations over whether it could achieve the political priorities of the Juncker Commission, this circular economy strategy was abandoned. And so, the incoming Juncker Commission withdrew its legislative proposals on waste in December 2014.

Member States, NGOs, MEPs, and significant sections of industry then demonstrated widespread support and an appetite for a circular economy. In particular, Michelin, Philips, Suez, and Unilever sent an open letter to the new Commission stating that "*A Circular Economy is an economic growth agenda*". Recognising that a circular economy strategy could unlock economic opportunities, the Juncker Commission took it on as a means to boost jobs, growth, and investments. The new Vice-President of the Commission, Frans Timmermans, having been made responsible for sustainability issues following the EU Parliament

confirmation hearings of the new Commissioners, took up the responsibility for developing new proposals for an action plan.

Through a public consultation, the Directorate-General for Environment gathered insights from 1,500 stakeholders from across the private sector, civil society organisations, and public authorities between May and August 2015. This public consultation helped to identify the priority sectors for the action plan. Furthermore, at the "Closing the loop" conference in June 2015, stakeholders were invited to contribute to the policy making process. And so, on 2nd December 2015, the Commission presented its *Circular Economy Action Plan*, including four legislative proposals on waste.

By March 2019, all 54 actions of the plan were delivered or being implemented. These included the revised directives on municipal and packaging waste, but also an unforeseen *Directive on Single-Use Plastics*, which developed as a corollary of the *Plastics Strategy*, and meeting the public opinion of the levels of plastic marine pollution.

Throughout the process, the Commission prioritised engaging stakeholders from across the public and private sectors, from NGOs and civil society, through public consultations and conferences. To promote the exchange of best practices, and foster collaboration around the circular economy, several platforms were created. For instance, in 2017, the *European Circular Economy Stakeholder Platform* and the *Circular Economy Finance Support Platform* were launched to help increase knowledge among actors involved in the transition.

Focus Areas

The *Action Plan* and most of its actions were adopted and implemented at the EU level, but certain measures have encouraged the adoption of circular strategies at the national and regional levels across Europe. The waste legislation imposes legally binding targets on EU Member States.

The EU's *Circular Economy Action Plan* aimed to cover the full economic cycle – from production to consumption, repair and remanufacturing, to waste management and secondary raw materials. It encompasses a variety of material flows: plastics, food, critical raw materials, construction and demolition, and biomass and bio-based materials. Cross-cutting measures to support this systemic change through innovation and investments were also put in place.

Organisational structure

The leadership of the European Commission, in particular Vice-Presidents Timmermans and Katainen, and Commissioners Bieńkowska and Vella, recognised that a circular economy strategy had the potential to foster economic growth. Therefore, the *Circular Economy Action Plan* was set as a strategy to achieve the political priority of the Juncker Commission – '*A new boost for jobs, growth and investment*'. Fulfilling this political ambition required collaboration between the different policy areas, stakeholders, and directorates.

Implementing the *CEAP* has been a shared effort among several of the European Commission's directorates, coordinated by the Secretariat General. The leadership of the *CEAP* was jointly shared between the Directorate-General for Environment (DG Environment) and the Directorate-General for Internal Market, Industry, Entrepreneurship, and SMEs (DG Grow). Several other directorates such as the Directorate-General for Research and Innovation (DG RTD), the Directorate-General for Health and Food Safety (DG SANTE), and the Joint Research Centre (JRC) have also contributed.

Finance

To promote innovation, send a signal to the market, and support the industrial sector's transition to a circular economy, more than EUR 10 billion of public funding was put forward between 2016 and 2020. Circular economy innovation funding came from several EU programmes, including Horizon 2020, the *Cohesion Policy*, the European Fund for Strategic Investments, Innovfin, and LIFE. For instance, EUR 1.8 billion of *Cohesion Policy* funding was provided to SMEs for the uptake of eco-innovative technologies, and at least EUR 100 million went to more than 80 circular economy projects through LIFE funding.



Source: © European Union

Caption: EU Commissioner Frans Timmermans, at the podium of the circular economy stakeholder conference organised by the European Commission and the European Economic and Social Committee (EESC), 20 February 2018

Measuring Progress

To measure progress towards circularity, the European Commission implemented a Monitoring Framework for the Circular Economy at both the EU and national levels. This framework consists of ten indicators across four thematic areas: production and consumption, waste management, secondary raw materials, and competitiveness and innovation. Based on these metrics, the European Commission presented progress towards circularity in its implementation report in March 2019.

Outcomes to Date

The EU's *Circular Economy Action Plan* has had an impact on several policy areas and across the economy. A couple of indicators show that part of the European economy is becoming more circular. For instance, according to Eurostat, circular activities such as repair, reuse, and recycling generated almost EUR 155 billion in value-added in 2017¹. There was also a 6% increase in jobs related to the circular economy² between 2012 and 2016. The EU's overall circularity rate, the percentage of recovered and recycled materials used in production, increased from 3.4% to 11.7% between 2004 and 2016³. However, these increases cannot be solely attributed to the adoption of circular policies as there are other factors

to take into consideration. Also, the role of Member States, regions, and cities in implementing circular initiatives has to be accounted for.

To tackle plastic pollution and promote innovation, the European Strategy for Plastics was adopted in January 2018.

The strategy aimed to transform the way plastics are designed, produced, used, and recycled - and to make all plastic packaging recyclable by 2030. In addition, Extended Producer Responsibility (EPR) schemes on a number of plastic items, as well as bans on some single-use products, have been introduced. The Commission aimed at integrating recycled content in Green Public Procurement criteria.

¹ Value added at factor costs is defined by Eurostat as the gross income from operating activities after adjusting for operating subsidies and indirect taxes. It can be calculated as the sum of turnover, capitalised production, other operating income, increases minus decreases of stocks, and deducting the following items: purchases of goods and services, other taxes on products which are linked to turnover but not deductible, duties and taxes linked to production. Value adjustments (such as depreciation) are not subtracted.

² Jobs related to the circular economy are defined by Eurostat as the percentage of total employment people in the following three sectors: the recycling sector, repair and reuse sector, and rental and leasing sector.

³ The circularity rate is defined by Eurostat as the percentage of material resources used in the EU which came from recycled products and recovered materials, thus saving primary raw materials from being extracted.

To improve waste collection and recycling, the waste legislation was revised. It introduced new obligations for separate collection of waste such as bio-waste and textiles. It set an overall 70% recycling rate target to be met by 2030 for all packaging materials. It also implemented a recycling target per material type. For instance, paper and cardboard packaging should reach a 85% recycling rate, while the target is 55% for plastics, and 30% for wood. To improve measures of recycling rates, only the materials that have been effectively recycled are taken into account. Rules stating that EPR fees should be based on real end-of-life costs were introduced. Additionally, targets to limit landfilling rates to 10% by 2035 were introduced.

To encourage a more holistic approach to design, the Ecodesign Working Plan 2016-2019 extended the scope of ecodesign requirements beyond energy efficiency. These new requirements aimed to take into account the whole life cycle of products and materials. By introducing material efficiency requirements on several products, the working plan promoted reparability, upgradeability, durability, and recyclability of consumer goods. The European Standardisation Organisations are responsible for developing criteria to measure the circularity of a product and the presence of critical raw materials. These new criteria will be applied in existing and new standards.

To address technical barriers to recycling caused by the presence of certain chemicals in products, the Commission aimed at improving coherence between the chemical, product, and waste legislations. In a communication, it outlined planned actions to remove legal barriers which prevent recycling and the use of recycled materials. These are likely to be the basis for a forthcoming *Strategy for Sustainable Chemicals*, expected in late 2020.

To promote the transition across Europe, policymakers at all levels of governance were encouraged to implement circular economy strategies. Since 2016, at least 14 Member States, eight regions, and 11 cities have put forward a circular economy strategy. While some countries such as France and certain

regions, such as Catalonia and Flanders have adopted long-term circular strategies, others such as the federal governments of Belgium and Germany have opted for more short-term circular initiatives. Some of the frontrunners are introducing regulations which go beyond the EU requirements. For instance, the Netherlands aims to reduce its use of primary raw materials by 50% in five economic sectors by 2030. Furthermore, France has adopted an anti-waste law for the circular economy in early 2020, which bans the destruction of unsold goods, encourages donations, and fosters secondary markets. However, in several other Member States the understanding of a circular economy still remains low, particularly outside of environment ministries in the national capitals.

Paving the way for a global circular economy, the EU and China signed a Memorandum of Understanding on Circular Economy Cooperation in July 2018. The two trading partners face common challenges in developing more resource-efficient policies. But, by aligning on policies that support the transition to a circular economy and looking at synergies of actions, the trading partners could unlock new sources of economic growth and innovation.

By laying the foundations for circularity, the action plan has enabled the adoption of additional policies, such as the European Green Deal and the new Circular Economy Action Plan. Not only has the EU progressively raised its level of ambition, circularity is now considered a means to achieve the EU's climate commitments and a just, sustainable, and socially fair transition. *"To achieve climate-neutrality by 2050, to preserve our natural environment, and to strengthen our economic competitiveness, requires a fully circular economy."* stated Executive Vice-President for the *European Green Deal*, Frans Timmermans when unveiling the new strategy. In the wake of the COVID-19 crisis, an investment of stimulus funds at the EU level in the circular economy was proposed in the European recovery plan. It is also foreseen that EU Member States will be guided in this direction through the European Semester process.



Source: © European Union

Caption: Handshake between He Lifeng, Chairman of the National Development and Reform Commission of the People's Republic of China (NDRC), on the right, and Jyrki Katainen, Vice-President of the EC in charge of Jobs, Growth, Investment and Competitiveness, after the signing of the Memorandum of Understanding on Circular Economy between the European Commission and the NDRC in the presence of Donald Tusk, Li Keqiang and Jean-Claude Juncker, in the background

REFLECTIONS

Taking a lead in circular economy policies was not a straight-forward process. From the *Roadmap for a Resource-Efficient Europe*, to the *Circular Economy Action Plan*, to the *European Green Deal* which includes the latest *CEAP*, it was a process where the European Commission gradually raised its level of ambition and broadened the scope for action. While the European Union has a unique structure, including the ability to develop binding legal acts, some of the lessons learnt from this journey could provide hints for other policymakers.

A collaborative approach. To transform the EU's economy into a circular model, the Juncker Commission integrated circular economy principles across several policy areas, material flows, and sectors. By encouraging cooperation across all the Commission's services, it has tried to break down certain policy silos. This integrated approach has encouraged alignment and more consistency between different sets of regulations. Furthermore, by engaging stakeholders across different sectors (starting with the *EREP*, at Commissioner Potočnik's initiative) it has aimed to incorporate various perspectives into the process.

The thinking transition. The EU's framework for a circular economy was the fruit of an evolution in the Commission's

thinking. In the early 2010s, the European Commission primarily aimed at improving resource efficiency. However, through this process other considerations emerged. The Commission recognised that a circular economy strategy could be embedded within an economic growth agenda. Then, the European institutions gradually acknowledged that a circular economy can reconcile economic growth with the environment and a means to achieve climate neutrality. It has eventually become a comprehensive body of legislation which takes into account several facets of the economy.

Accelerating the transition with a more ambitious plan. Building upon the first circular economy strategy, the EU has raised its level of ambition in its new *Circular Economy Action Plan*. The new *CEAP* aims to accelerate the transition by proposing, for the first time, an integrated product policy framework implementing measures along the lifecycle of products and to tackle resource-intensive sectors. It also has the objective to foster an internal market for secondary raw materials, and will address high-impact sectors such as textiles, construction, and electronics.

FOR MORE INFORMATION:

Governance type: Supranational Institution

Population: 513 million (Eurostat, 2019)

GDP: EUR 13.9 trillion (EU 27 at market prices, Eurostat, 2019)

DG Env's Website: ec.europa.eu/environment/circular-economy

European Circular Economy Stakeholder Platform's Website: circulareconomy.europa.eu/platform

Contact: europa.eu/european-union/contact_en