Circular economy act

FEAD feedback to the Call for Evidence

FEAD
European Waste Management Association

Contents

Executive Summary

FEAD, the European Waste Management Association, represents the entire waste and resource recovery sector in Europe, including collection, sorting, recycling, energy and material recovery, and the final disposal. This holistic overview puts **FEAD in a unique position to connect product, consumer, waste and industrial policy**, ensuring that the circular economy is delivered in practice under the upcoming Circular Economy Act.

In our Manifesto[1] we set out our ambitious vision of shifting Europe's overall material use towards recycled materials, supplying the economy with recycled materials and renewable energy, while managing waste safely and responsibly. We support the ambition to double the Circular Material Use Rate within the decade, and we propose a binding horizontal target of 25 % by 2030.

Achieving these targets requires that the **circular economy be viewed through the lens of industry and competitiveness**, not only sustainability. As we emphasise, recycling and recovery must become industrial-scale resource streams, capable of supplying high-quality materials back into European production, at competitive price and traceable origin.

While boosting CMUR is central, the rollout of robust recovery and final treatment systems for residual waste remains a fundamental part of our activity and must be retained, in line with the waste hierarchy, to safeguard system resilience and environmental protection.

In this position paper, FEAD offers comprehensive, practical input to the CEA consultation — **supported by our 10 Policy Recommendations annexed** herein. As the waste management sector, we are ready to partner with European institutions, national governments and industrial actors to turn circular economy objectives into tangible, investable, and scalable outcomes.

NB: This document is based on FEAD's responses to the Circular Economy Act questionnaire. Further information can be found in the responses to the questionnaire.

[1] FEAD published its manifesto ahead of the 2024 elections. The manifesto called back in 2024 for an EU Circular Material Use Act, and can be found on FEAD's website: FEAD-Manifesto-2024.pdf

1. Circular economy

FEAD supports a Circular Economy Act (CEA) that turns circularity into a core competitiveness strategy for Europe by: (i) creating a predictable, integrated single market for recycled materials ; (ii) activating strong, durable demand for recycled materials; (iii) aligning fiscal and financial tools with circular outcomes; and (iv) strengthening governance, enforcement, and administrative capacity so rules deliver in practice.

The measures below merge FEAD's detailed responses into a coherent policy approach and set out clear priorities for legislation and implementation. **The Commission should assess whether Article 114 TFEU is a sufficient legal basis to cover our demands and extend it to the environment competence in Art. 192 TFEU, if needed.**

1.1. A functioning single market for recycled materials

To deliver, a circular economy must be economically viable in a market economy. This follows basic supply and demand rules. Historically driven by material shortages and cost savings thanks to recovery operations, today high energy and operational costs, regulatory fragmentation, and limited investment incentives keep recycled materials at a structural disadvantage. Addressing these is essential to unlock economies of scale. Its current viability varies with the material/waste stream and so must also differ the policy interventions, ultimately conceived to boost demand, where necessary. Policies should, as a rule, integrate environmental and climate considerations to establish a level playing field between virgin and recycled materials, thereby aligning prices with their externalities. **The success and long-term viability of a circular economy depend on strong and stable demand pull for recycled and recovered materials**.

Supply vs. demand. FEAD does not see a structural shortage of potential supply of recycled materials; supply rises with demand, effective separate collection, and consumer return behaviour. Today's core bottleneck is insufficient demand: only a small share of EU material use comes from recycled materials, and this has barely improved in a decade, as Eurostat data shows. FEAD therefore prioritises demand-pull measures.

Prices and cost structure. The price paid for recycled materials is frequently pegged to virgin benchmarks, while the cost of recycling reflects collection, sorting, decontamination, treatment, quality assurance, compliance, energy and labour costs. Outcomes differ by material: recycled metals, paper and glass can be price-competitive; plastics are strongly influenced by oil prices and application-specific quality (e.g., food grade). For plastics, virgin is often cheaper today; scaling and **mandatory recycled content** would help close the gap. In the case of textiles, the fibre-to-fibre recycling market still requires strong incentives, and we observe with strong concern that new apparel is even cheaper than second hand. To level the playing field, FEAD recommends **reduced or zero VAT on prepared for reuse and recycled materials** as well as market-based instruments (e.g., carbon/material pricing) that internalise negative externalities without penalising recycling.

Quality of recycled raw materials. There is **no universal quality deficit** for recycled raw materials. Quality varies by input, process, and client requirements; very high grades are achievable at higher cost where demand warrants it. Quality continues to improve with better product recyclability (including checks on imported products), stronger separate collection and

advanced sorting/recycling. To support market confidence, FEAD backs **harmonised EU quality standards for recycled materials** developed with industry—recognising that quality is ultimately specified in contracts between supplier and client. Once there is sufficient demand, the quality level can be defined and agreed upon between contractors.

Certification and standardisation. Low demand is **not caused** by a lack of standards; and standardisation alone will not solve limited market uptake. However, a patchwork of bilateral quality agreements creates fragmentation, as most current practices rely on bilateral agreements between market operators. The EU should **codify and harmonise** existing market practices where this facilitates trade, while avoiding costly certification layers whose value does not clearly outweigh burdens on recyclers. Consumer acceptance of recycled materials and products is improving but must be reinforced through information and labelling.

Efficient waste shipments and simplified permitting. Circular projects should be prioritised in permitting (sorting/recycling, and where relevant WtE). Moreover, waste shipments need to be predictable, transparent, and timely to enable compliant operators to plan and invest. Short-term measures could include keeping the requirement to complete Annex VII on the day of the shipment itself (instead of two days in advance), extending the tacit consent possibility to the competent authority of dispatch and rolling out a harmonised, risk-based financial guarantee system.

Competition from imports. Today's paradox is that the EU's ambitious circular economy policies and recycled content targets are benefiting businesses in third countries, while putting European companies at a disadvantage. Market access difficulties for EU-made recycled materials competing with inexpensive virgin materials (e.g. plastics), is exacerbated by fierce competition from **low-cost imports.** Those imports are of uncertain origin, quality, or environmental performance and are driving European recycling to its limits. FEAD proposes **measures to prioritise European recycled materials** in product policies and procurement, and **mirror clauses** so imported recycled materials/products counted toward EU targets meet **equivalent environmental, social, and quality standards**. Customs authorities should be provided with **clear guidance and digital tools** to verify recycled content, treatment standards, and facility certification in third countries—without creating unnecessary trade barriers or harming the EU recycling industry's competitiveness.

1.2. Single market barriers – fragmented EoW

FEAD's priority for the Circular Economy Act is to make the internal market for waste and recycled materials predictable, integrated, and competition friendly. In 1992, the European Court of Justice (ECJ) established (C2/90[2]) that waste, whether recyclable or not, is to be regarded as 'good' and therefore subject to free movement in the single market. Understanding its special nature, restrictions must not go beyond the right balance between industrial and environmental objectives, which is often not achieved. Correcting this must be a priority for the CEA. Moreover, despite aiming at a Single Market for recycled materials, those are still often treated as waste even after full processing. EU end-of-waste (EoW) criteria cannot be hostage to certain commercial interests and must be developed also with careful balancing of industrial and environmental interests. EoW rules that are not achievable and

[2] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:61990CJ0002

even stricter than rules for virgin materials are discriminating recycling activities and are a loss of resources because they will not be used.

End-of-Waste (EoW) criteria – urgent EU-wide streamlining. One of the most persistent regulatory obstacles facing the circular economy is the fragmented and inconsistent approach to End-of-Waste (EoW) criteria across the EU. The priority must be to establish EU-wide EoW criteria and streamline this process. FEAD believes that the Commission should prioritise key waste flows, such as paper and cardboard, inert construction and demolition waste, incineration bottom ash, gypsum, compost & digestates, plastics and textiles. Additionally, the Commission should allow and encourage industry-led technical dossiers (standards, best practices, performance data) to complement JRC work and reduce bottlenecks.

Mutual recognition where no EU EoW exists. In cases where EU-wide criteria do not yet exist and in view of their development, mutual recognition of national EoW should be enforced. This should be done in consideration of WFD Article 6 and under clear safeguards to avoid a 'race to the bottom'. Recycled materials that meet established EoW criteria in one Member State should be eligible for recognition in other MS, unless there is a clear, justified reason for refusal that is motivated within a short timeframe (tacit approval). It may be considered to subject those national criteria to a review process by the Commission after which the EoW is included in a registry of approved national EoW criteria. Key aspects of this review process would be ensuring that the EoW criteria meet the requirements under Article 6 of the WFD. Since all Member States are already required to inform the European Commission when developing national EoW criteria, this process could be formalised to ensure better alignment with EU legislation and minimum environmental and quality standards. A formalised approach would help build trust and consistency among operators across different Member States.

National, local and case-by-case EoW are still essential because of the enormous diversity of potential EoW, especially at local level. Abolishing them without having EU-wide EoW brings no benefits and would hamper innovation.

1.3. Creating durable demand for recycled materials

FEAD's overarching objective is to convert Europe's sizeable technical recycling potential into bankable demand for high-quality recycled materials. That requires clear product-policy signals (recycled-content and procurement), fiscal alignment that closes the virgin–recycled price gap, investment support for new and existing capacity, and credible market governance (traceability, surveillance, fair trade). While it is necessary to ensure a strong and stable demand for EU recycled materials, circular markets can only flourish in the EU if legislation is applied evenly to imports.

Minimum recycled content targets. The Commission should set binding recycled content targets across sectors and materials. This includes

- Introducing **additional** mandatory recycled content **requirements** for a wider range of applications, including construction materials, plastics beyond packaging, electronics, and textiles.

- **Maintaining and strengthening** existing targets for European post-consumer recycled content also with intermediary targets, subject to penalties for failure to meet them.

- **Protecting the definition of recycled content** by ensuring that only post-consumer waste is counted. **Biobased materials and pre-consumer waste must be excluded** from the definition of 'recycled content'. Biobased materials cannot be classified as recycled unless they result from actual waste recovery processes, and their recyclability must be proven according to the state of the art in existing technologies. Pre-consumer, post-industrial waste and by-products, which are already part of controlled industrial loops, cannot be equated with post-consumer waste. Post-consumer waste must be collected from dispersed sources, requiring the commitment of consumers and municipal systems, and is more prone to pollution, loss of traceability, and contamination. Its treatment is therefore significantly more complex and costly and cannot compete.

Preference for EU/EEA-made recyclates. The CEA should prioritise European (EU/EEA) recycled materials in product policy and procurement to support a strong internal market for recycled materials. Product policy (recycled-content rules, ecodesign, ecolabels) and GPP should favour EU/EEA-sourced & EU-processed recycled materials, recognising higher traceability and environmental control within EU value chains. It would also support recycling as the preferred route for European waste, as opposed to incineration or landfill.

Public procurement as a demand engine.[3] Green Public Procurement (GPP) can be major lever to drive circularity. To do so, it must be mandatory across the EU, prioritising recyclability and EU/EEA recycled content. Voluntary approaches have not delivered the desired results so far. Moreover, it is essential that green public procurement focuses on circularity based on a 'buy-European' model for recyclates and is accompanied by robust market surveillance and enforcement capacity as well as sufficient training and capacity-building for procurers and border controls. If this is not considered, experience has shown that European policies have served to pull from third country markets who are able to deliver at lower costs due to lower environmental and social standards and without guarantee of delivering recycled materials.

EPR-driven uptake (see also .5 below). Mandatory eco-modulation of EPR fees to reward recycled content and design for recycling can be an additional demand driver, while it is important to include targeted incentives for EU/EEA-made content.

Information & proof of origin. A *Guarantee of Origin for European recyclates* could support transparency and trust. It could improve market functioning but, alone, would not close the demand gap. Equally, demand is not primarily constrained by missing standards; nevertheless, FEAD supports harmonised EU quality specifications that codify prevailing market practice and apply equivalent sustainability/traceability requirements to imports.

Incentives for climate friendly options. Carbon/material pricing should internalise externalities of virgin production. This should be complemented with sustainability criteria by carbon footprint for polymers (virgin and recycled) that also consider the footprint of different recycling routes. Measures must apply equally to imports.

Reducing landfilling of recyclables. Landfilling restrictions help steer feedstocks to sorting/recycling, raising supply quality and volumes. However, they do not create demand on

[3] Please see also FEAD's position on the revision of the public procurement directives: https://fead.be/position/public-procurement-directives/

their own. Measures to reduce landfilling of recyclable materials should be paired with capacity investment and better separate collection.

Market surveillance. Border checks and customs toolkits to verify origin, quality and treatment standards of recycled content in imported goods (documentation, facility certification, physical controls) must be strengthened and accompanied by capacity-building that leverages the waste-sector expertise.

Avoid protectionism; focus on competitiveness. FEAD supports open markets and free trade. If the objective is increasing recycling capacity within the EU, strong and stable domestic demand is needed. Without this, the only consequence of restricting exports of recycled materials will be limiting market outlets and loosing competitiveness as well as investment and innovation capacity. This, with no benefit for the circular economy and at high risk of reciprocate trade restrictions, where the EU stands to lose due to its scarcity of (critical) raw materials. FEAD is opposed to exports of untreated waste and supports maximum collection, sorting and recycling within the EU, but stresses that a level playing field vis-à-vis virgin producers requires comparable export rules. What is needed is better controls to ensure full enforcement against illegal exports (e.g., WEEE shipped as second-hand). EU-wide classification guidance for ports and customs can help in improving controls.

1.4. Economic incentives that make circularity investable

Circular business models lack adequate **financial support**; GPP rarely prioritises recycled products; and collaboration across value chains remains limited in scale. Infrastructure needs vary by stream and region; EU funding should support investments, alongside **functional management models** that deliver performance, not just assets.

The Commission should create a Competitiveness Fund toolbox for Circular Economy to promote recycling, resource efficiency, and competitiveness. But rather than creating market barriers, the focus should be creating value in Europe. Subsidies should be evaluated according to their goal, targeting treatment efficiency, climate mitigation and EU circular economy, instead of considering only the specific treatment. Nevertheless, if we talk about economic incentives, we must not forget that all efforts will be smoke and dust if our facilities continue burning down daily due to wrongly disposed lithium batteries.

- **Extended Producer Responsibility (EPR).** When well-designed and properly enforced, EPR can finance robust collection, drive eco-design, and raise recycling. However, the decision to establish EPR should respond to **demonstrable market failures** and be outcome oriented. FEAD recommendations can be consulted in .5 A solid framework for EPR below.

- **Deposit-return schemes (DRS).** DRS should be **case-by-case**, based on environmental outcomes, territorial specifics, costs, and market impacts; waste operators must retain ownership of waste. FEAD sees strong potential for DRS on **lithium batteries** and battery-embedded devices to meet collection targets, cut fire risks, and retain CRMs—provided schemes are effectively designed and financed through EPR. In fact, no economic incentives will succeed if **waste facilities continue to burn down** due to mis-disposed lithium batteries. The CEA must

address battery fire risks through EPR financing, DRS for batteries where appropriate, awareness, and enforceable design/safety requirements.

- **Green public procurement (GPP).** GPP should be mandatory across Member States. Public buyers should prioritise **recycled content and recyclability**, in particular **EU/EEA-sourced and EU/EEA-recycled** post-consumer inputs. A dedicated label recognising recycling of European post-consumer waste within the EU would enhance market confidence.

- **Taxes on landfilling/incineration.** It is essential to clearly distinguish between landfilling and incineration for disposal purposes (D10) and waste-to-energy operations (WtE) that qualify as energy recovery (R1). Moreover, circularity measures must differentiate between hazardous and non-hazardous waste. We assume that in the context of the Circular Economy Act we refer to non-hazardous waste. Disposal taxes can correct market signals where disposal remains too cheap, supporting prevention and recycling (with EPR backing). But WtE remains an indispensable outlet for non-recyclable residuals under the waste hierarchy and should be recognised accordingly in climate/sustainability frameworks, in particular in the EU Taxonomy.

- **Taxes on exports of waste.** FEAD **opposes** export taxes that would distort functioning markets (e.g., steel scrap). Focus should be placed instead on clear rules and controls—and ensure that existing treatment taxes (e.g., on incineration) also apply to exports destined for that treatment, with strict verification of actual fate.

- **Fiscal incentives.** The EU should introduce **circular tax credits** and **reduced VAT rates** for recycling and preparation for reuse activities, and for manufacturers incorporating recycled materials. In addition, **avoided CO_2** from recycling should be recognised through an appropriate decarbonisation mechanism that rewards circular inputs.

- **EU and national funding.** The Commission should create a **dedicated Competitiveness Fund toolbox for the Circular Economy** to support infrastructure, innovation, and technology deployment, including temporary market-stabilisation where needed (e.g., plastics/textiles). EU-level instruments should be prioritised to avoid national-level market distortions. Update **State aid rules** so **recycling capacities** and infrastructure are explicitly eligible (today, manufacturing that uses recycled content is included, but upstream recycling often is not).

- **Subsidies that affect circularity.** Subsidies should be evaluated by **purpose and outcomes**. Subsidies that improve treatment efficiency, climate mitigation, and circularity should not be categorically excluded for being dedicated to activities lower in the waste hierarchy. Most importantly, it is essential to distinguish between landfill and incineration for disposal purposes (D10) and waste-to-energy (WtE, R1).

- **PAYT schemes.** Pay-as-you-throw can reduce residuals and raise separate collection when **well-designed** (weight/frequency-based systems outperform bin-capacity systems). However, they are not easy to implement, and its effectiveness is

highly dependent on the context (e.g. cultural context or system priorly in place). If not well implemented, PAYT can lead to diversion of some non-recyclable waste streams into recyclable waste streams, therefore reducing the quality (residual diversion into separate streams). PAYT should not be extended to commercial & industrial waste because the incentive structure is not the same.

1.5. A solid framework for EPR[4]

The Circular Economy Act should enshrine a more precise, consistent, and competition-friendly framework for extended producer responsibility (EPR) schemes. When well-designed and properly implemented, EPR schemes can drive eco-design, finance sustainable waste management, and boost recycling rates. However, the rapid expansion of EPR schemes across Europe, often with varying governance models, has raised concerns about market distortion, lack of transparency, and reduced competition. Crucially, the decision to establish an EPR scheme must be grounded in a clear assessment of market failure, with a focus on outcomes, feasibility, and the role of existing actors.

The CEA must set a robust framework to ensure that EPR schemes deliver. Setting up such schemes must not be an objective in itself but a tool to address market failures, ensuring waste management systems develop in line with the waste hierarchy and reward best performers in terms of quality, efficiency and circularity. In doing so, competitive waste markets must be preserved.

Harmonise a solid EPR framework but leave room for local waste management realities. To achieve EPR objectives, local contexts are essential and therefore a full harmonisation is not desirable. **PROs shall be established under a solid EU framework but should be ultimately regulated at national level.** What the CEA should do, is addressing and correcting bad practices that have derived from certain national approaches. This can be done via a robust harmonised EU framework that limits as much as possible such deviations. Penalties for non-compliance should be clearly defined, strictly and promptly enforced, and embedded in a harmonised EPR framework so they do not trigger double counting or artificial cross-border 'target chasing'. **The Commission should thus provide a framework, including cost coverage, reporting obligations, transparency requirements, enforcement mechanism, competition safeguards and eco-modulation principles**, while not creating EU-wide PROs. It is essential to recognise that waste management **costs vary by region and cannot be fully uniform**. Moreover, where national legislation imposes additional requirements (e.g., traceability, shipment documentation, removal of substances of concern) beyond the EU framework, EPR rules must allow fee structures that cover those extra costs rather than shifting them to recyclers.

EPR as a tool to address market failures. As a rule, EPR schemes should only apply where open market mechanisms cannot deliver environmentally sound waste management and circularity objectives. Intervening in a functioning market can lead to undesirable consequences compromising good recycling performances. Where recycling is not yet

[4] Please see also FEAD's general position on EPR schemes from October 2024: https://fead.be/position/fead-position-paper-on-extended-producer-responsibility-schemes/ and FEAD's policy recommendations for the Circular Economy Act: https://fead.be/wp-content/uploads/2025/04/FEAD-PolicyRecommendations.pdf

feasible, other instruments, such as research support, public investment, or regulatory standards, may be more appropriate than EPR.

The CEA should define criteria for when EPR is justified by a market failure. Moreover, once a market failure is identified, it should still be decided what is the best way to address it, which may or may not be setting up an EPR scheme. Finally, EPR schemes must also differentiate between household waste and commercial and industrial waste (see more details in 3.5 Making EPR for WEEE fit for purpose). The needs of the scheme may be different.

Some examples of criteria to define a market failure:

- When recyclable waste streams are systematically incinerated or landfilled despite the presence of available recycling capacity and viable technologies.

- When the economics of recycling are structurally unfavourable, e.g. where recycled materials cannot compete with virgin materials due to price volatility, external cost distortions, or inadequate demand, even though recycling is technically feasible. In these cases, EPR can help stabilise investment and stimulate the uptake of recycled materials.

- When waste is not adequately collected, sorted, or controlled, leading to high littering risk, illegal treatment, or leakage into the environment. Here, EPR can help professionalising the collection chain and improve traceability, especially for dispersed or hazardous product categories.

EPR must preserve competitive waste markets. For this, a tool can be **prioritising financial EPR** schemes in the CEA. Those are schemes where producers fund the system but do not operate waste activities. Competitive markets are preserved, and waste management operators can compete on service quality and environmental performance. At the very least, PROs must be prevented from abusing their position by using reserves from the EPR scheme and market information obtained from waste management companies to invest and operate in the same markets and set up new companies that now dominate these markets. This has already been the case in some Member States. Therefore, the CEA should **limit the amount of reserves PROs can build up and explore other mechanisms to avoid conflicts of interests**.

EPR as a market driver. The CEA should define that ecodesign and the environmental performance of the products placed on the market is a core responsibility of EPR schemes across the EU, beyond product regulations (existing or to be developed). This can be done through mandatory eco-modulation in the form of lower fees for less polluting materials e.g., free of substances of concern, homogeneous and easily recyclable materials. Moreover, eco-modulation of **EPR fees should reward recycled content**, including targeted incentives/bonuses for EU/EEA-made content to bridge market failures and counter virgin price undercutting.

Transparent governance and tendering. The CEA should establish **mandatory national advisory and monitoring bodies** and define the transparency, accountability and control framework for EPR compliance, including the establishment of fines for PROs that do not meet their targets as well as procedures to address and punish free riding. National independent oversight bodies should:

- Ensure environmental and economic performance of schemes;
- Advise on fee structures and eco-modulation criteria;
- Ensure that PROs operate transparently and in the public interest;
- Strengthen eco-design incentives through fee modulation;
- Support investment in local sorting and recycling capacity

Waste management and recycling operators should be represented in those oversight bodies and contribute to these tasks. EPR schemes should also operate through **open and fair tenders** based on real competition to give market access to waste management operators. **In-house procurement** practices of municipalities **should not be permitted**. Moreover, EPR schemes should be required to publish regular, disaggregated data regarding placing on the market, collection, sorting, recycling and final treatment.

Cost coverage of EPR schemes. Following the rationale of the polluter-pays principle, producers should be financially responsible for the entire waste management cost, to ensure a stable and functioning 'end-of-life' market for their products (only when this is needed, see above). This means that producer responsibility must go beyond hitting a numeric target, i.e., even when targets are met, producers remain responsible for non-collected waste, waste that follows informal channels, as well as any environmental or operational negative externalities (e.g., battery fires). As part of this, the cost coverage must also consider **residues treatment and decontamination costs** for substances of concern and of very high concern, such as PFAS, to ensure REACH compliance of recycled materials is possible but also to ensure compliance with emissions control legislation.

Digitalisation must be kept purposeful. Any simplification or digitalisation initiatives must always serve the very purpose of setting up an EPR scheme. This means that as a basic requirement, it must not be possible for producers to compare existing PROs solely based on price. Competition based solely on price, rather than on quality of the service, may lead to a race to the bottom in terms of financial contributions for waste management, which could result in PROs being unable to fulfil their obligations. As an example, digital platforms shall not be allowed to present a list or overview of available PROs with an associated fee.

1.6. Bio-based content policy: keep objectives distinct and systems workable

Support where beneficial, avoid interference with recycling systems. FEAD supports bio-based materials only where they bring verifiable environmental benefits and integrate into existing end-of-life systems. Certain bioplastics - especially compostables - disrupt plastics recycling and organic treatment when they enter the wrong stream. In practice they are frequently neither recyclable **nor** degradable under real industrial conditions (e.g., anaerobic digestion), contaminating recyclate and digestate (microplastics), and undermining otherwise well-functioning systems.

Clarity of terms and narrow use-cases. Ambiguity between *bio-based*, *biodegradable*, and *compostable* continues to confuse consumers and operators. FEAD welcomes the Commission's clarifications and calls for **precise legal definitions** in future legislation. Where bioplastics are used, FEAD **prefers "drop-in" bio-plastics** (e.g., bio-PE) that are chemically identical to conventional polymers and fully compatible with existing recycling infrastructure. Compostables must be restricted to narrowly defined applications and only where industrial

composting conditions are guaranteed. Even then, composted bioplastics do not deliver fertilising value.

Separate targets, not substitution. FEAD firmly rejects counting bio-based content towards recycled content targets (e.g., under the PPWR and ELVR). Bio-based and recycled content pursue different policy goals (fossil substitution vs. circularity via recovery). The CEA should set separate targets for bio-based and recycled content to avoid diluting recycled-content obligations and to give clear, investable signals to both markets.

1.7. Awareness, skills, and governance that deliver performance

Awareness campaigns. EU resources are best focused on regulation, harmonisation, enforcement, and fiscal/financial support. Public awareness should be national/local, led by authorities and PROs, **tailored to local contexts**, and focused on correct sorting behaviour.

Capacity building. Support Member State authorities with training, best-practice exchanges, and advisory services - **leveraging the waste management sector's expertise** so enforcement remains realistic, effective, and aligned with circular goals. Develop a diverse training offer matched to emerging circular skills needs.

Education and transparency. Introduce **standardised product information and labelling** on circularity (including hazardous substances) to guide consumers and downstream operators.

2. Improving Waste Management Systems and Circular Processes

FEAD's objective is simple: make Europe's waste systems **perform** - at scale, with quality, safety, and cost-efficiency - so that circular markets receive a reliable flow of high-grade recycled materials. This requires smart collection and sorting architectures, proportionate regulation and enforcement, investment-ready permitting, and market-pull for recovered outputs, all fitting into a single operational agenda for the Circular Economy Act.

2.1. Collection and sorting: design for performance

Well-performing separate collection system is the backbone of a functional circular economy that can deliver high-quality recycling. Local authorities must implement and support these systems correctly, running regular, targeted, large-scale awareness campaigns with the support of Extended Producer Responsibility (EPR) schemes. Derogations under Article 10(3) WFD should not erode the primacy of separate collection. They are justified to reflect geographical, demographical and organisational differences - but must not undermine effectiveness. Where **commingled separate collection of dry recyclables** has been granted and substantiated (environmental benefits, proven performance, citizen habits, sunk investments), it **should not be rolled back**.

Advanced sorting of mixed municipal waste only to address specific local shortcomings. FEAD supports innovation, but a **blanket legal obligation** to use advanced sorting for residuals is **not appropriate**. The first priority must be to incentivise and implement effective separate collection at source, which remains the most efficient and cost-effective method to ensure high-quality recycling. Advanced sorting should only serve as a complementary tool, not a replacement for well-functioning upstream systems. Given the **high costs and limited added value** of advanced sorting where separate collection is properly implemented, FEAD is sceptical about the burden this would place on citizens or EPR systems. Local conditions vary significantly across Member States, and it is the **responsibility of competent authorities** to determine when additional sorting of residual waste is justified - for example, to address specific local shortcomings or recovery needs. Where advanced sorting is introduced, its economic viability must be carefully assessed, and cost-sharing through EPR schemes should be considered to ensure fairness and effectiveness without distorting incentives for separate collection.

2.2. Boosting separated collection of bio-waste

The separate collection of biowaste has been mandatory across the EU since January 2024, as mandated by the Waste Framework Directive, Art. 22.1. However, implementation still remains inconsistent and insufficient, with **significant quantities of valuable organic material ending up in landfills or incineration plants**. FEAD strongly supports the robust enforcement of this obligation and calls for increased investment in infrastructure to ensure the high-quality treatment of collected biowaste.

Governance and market access. Ensuring the proper functioning of biowaste markets is equally important. FEAD advocates for a model where municipal bio waste is assigned through **transparent public tenders** based on **free-market principles**. This approach, successfully applied in several Member States, fosters competition, drives innovation, and has led to lower waste management costs for citizens. Maintaining **market openness in the treatment phase** is key to supporting a high-performing biowaste value chain.

Nutrient recovery and end-of-waste criteria. The recovery of nutrients from organic waste, including that from the food and feed industries, is vital to reduce the EU's reliance on imported mineral fertilisers, close the nutrient loop, and lower greenhouse gas emissions linked to both fertiliser production and waste disposal. FEAD therefore recommends **assessing the introduction of end-of-waste criteria for compost and digestate** to facilitate their free marketing once clear quality standards are met. Moreover, recognising phosphorus as a strategic raw material would further support circularity by encouraging the recovery of this essential nutrient from biowaste destined for composting and anaerobic digestion.

Reducing administrative barriers. The transport traceability requirements under the RED II Directive present a disproportionate administrative burden, particularly for biowaste collected from multiple small sources. This complexity hinders the expansion of anaerobic digestion and composting. Streamlining these requirements is essential to scale up material recovery from biowaste.

2.3. Towards a safe and circular framework for sewage sludge management

FEAD supports a **revision of the Sewage Sludge Directive (SSD)**[5] to strengthen environmental and health protections while promoting circularity. Recognising the diversity of sludge management systems across Member States, FEAD does not support a one-size-fits-all approach but rather a balanced framework built on **clear priorities and risk-based governance**.

Contaminants control at source. Preventing pollution begins with source control. Contaminant lists and threshold values must be **regularly reviewed** and supported by **harmonised analytical methods**. Research should focus on **emerging pollutants**, including PFAS, pharmaceuticals, pathogens, microplastics, and pesticides. Where risks are identified, advanced treatment must be required to reduce pollutant loads and ensure safety.

Quality and traceability. Only high-quality sludge, precisely defined according to clear parameters, should be applied to agricultural land, within quality assurance schemes and nutrient management plans aligned with crop needs. Full traceability should be ensured throughout the production-to-use chain. Policy decisions must remain evidence-based. Blanket bans such as those linked to product labels (PDO, PGI, and others) should be avoided unless scientifically justified, and instead relying on quality certification systems.

[5] https://fead.be/wp-content/uploads/2025/10/SSD_FEAD_position.pdf

2.4. Role of landfilling and Waste-to-Energy in a balanced circular economy

Recovery is not disposal. FEAD opposes the landfilling of waste when viable alternatives exist higher in the waste hierarchy. In particular, **energy recovery (R1)** must not be equated with **landfilling and incineration for disposal (D10) and circularity measures must differentiate between hazardous and non-hazardous waste**. Even in the most advanced waste management systems, some waste cannot be avoided, reused or recycled. In the case of hazardous waste, the main objective is to eliminate risks for human health and the environment, which means that disposal activities are relevant and even mandatory in certain cases. In the case of non-hazardous waste, energy recovery (waste-to-energy) is an indispensable component of a functioning circular economy as the final treatment for non-recyclable residuals, including residues from recycling activities, and an essential public-service. A balanced regulatory framework is needed to ensure that all viable options are fairly considered, in full alignment with the waste hierarchy.

No blanket landfill bans. FEAD does not support a **general ban on landfilling**, recognising that some residual waste fractions will always remain and that technical and economic limits to full recyclability persist. Instead, FEAD advocates for a **progressive and strategic reduction of landfill use**, supported by adequate infrastructure, innovation, and realistic waste system planning. **Targeted landfill bans** should continue to be enforced where safe and viable alternatives exist, and any new bans should be preceded by thorough assessment and consistent implementation across Member States.

Taxation as a driver, not distortion. As mentioned above, distinction must be made between hazardous and non-hazardous waste and we assume that in the context of the Circular Economy Act we refer to non-hazardous waste. In this sense, landfill taxes have proven to be **effective tools for reducing disposal of non-hazardous waste**, and FEAD supports their use, provided they are designed to address cases where landfilling remains more competitive than recycling or WtE. For incineration taxes (non-hazardous waste, WtE), there is a difficult equilibrium between ensuring an EU level playing field and not undermining investments in essential infrastructure, especially in those countries that still rely mostly on landfilling. While in principle taxation should remain under subsidiarity principles and reflect national realities, it can also have counterproductive consequences for the entire waste management chain and the EU waste market, as the Dutch tax measures intended to support circularity show[6]. Moreover, the currently ongoing assessment for an inclusion of waste incineration in the EU ETS must be considered. Without getting here into the discussion of whether this is the right tool, some MS have already announced they will not renounce to their national taxes, potentially leading to a double taxation, unacceptable for the sector and the EU level playing field.

No cap-and-trade scheme: complex and counterproductive. FEAD opposes market-based cap-and-trade systems for landfill, such as the former UK's Landfill Allowance Trading Scheme (LATS), for all type of waste. Based on FEAD's detailed analysis (see Annex I - Cap & trade system – FEAD analysis) such systems introduce **high administrative and compliance costs**, increase complexity for both public authorities and operators, and **fail to provide cost certainty**. They also risk **penalising high-performing Member States**,

[6] https://www.wastematters.eu/news/pwc-study-shows-tax-measures-will-have-the-opposite-effect

distorting competition and fragmenting the internal market. This scheme **shifts the regulatory and financial burden onto operators**, who act as **service providers and the final recipients of waste**, rather than addressing the responsibility of **waste producers and system designers**. Extending cap-and-trade at EU level to residual waste would add unnecessary bureaucracy, reduce predictability, and create uneven obligations across Member States. The price volatility of tradable permits would further undermine investment confidence in recycling and recovery infrastructure. In contrast, **well-designed landfill taxes offer more stable and efficient incentives**, encouraging waste prevention and circular economy investment.

Fiscal and regulatory enablers for circularity. Disposal reduction is achieved through the uptake of circular products. FEAD strongly supports the introduction of incentive circular, including the reduction or zero VAT rates for recyclers, helping to close the price gap between virgin and recycled materials and enhance the competitiveness of the latter. Fiscal measures must go hand-in-hand with the **stronger enforcement of existing EU waste legislation**, including the Waste Framework Directive and the Landfill Directive. **Harmonised enforcement** across all Member States is essential to address illegal dumping, ensure compliance, and create a **level playing field** for circular economy actors.

2.5. Addressing lithium batteries fire in the waste management

The misplacement of lithium batteries in waste streams is causing a sharp rise in fire incidents across the European waste management sector[7]. These fires pose a growing threat to worker safety, destroy critical circular infrastructure, and undermine the financial viability of waste operators. With lithium batteries now embedded in a wide range of consumer products, and often disposed of incorrectly, this issue is intensifying unless decisive action is taken.

Current regulatory efforts under the Battery Regulation and guidance on removability are welcome, but insufficient. The scale of the problem requires additional targeted instruments. FEAD recommends the following:

- **Establish a battery fire prevention and recovery fund under EPR**: the scope of Extended Producer Responsibility should be expanded to cover preventive measures and compensation for battery-related fire incidents. A dedicated fund should support investments in detection and fire prevention systems, emergency response, awareness campaigns, and compensation for affected facilities. It should also help mitigate rising insurance costs and cover all waste facilities exposed to battery risks, not only those directly managing batteries. The establishment of the Battery Fire Prevention and Recovery Fund shall be done at national level, through a corresponding mandatory requirement under the Circular Economy Act.
- **Introduce a Deposit and Return System (DRS) for lithium batteries and battery-embedded devices**: a DRS is essential to incentivise proper disposal of batteries and

[7] Please find more information on FEAD's position on lithium battery fires here: Battery-Fires-in-Waste-Management_-Joint-Paper.pdf

meet the Battery Regulation's ambitious collection targets. It would also reduce fire risks and keep critical raw materials within the EU's circular value chains.

- **Ban disposable products with unnecessary embedded batteries**: items such as single-use e-cigarettes, light-up textiles, and gift cards with batteries contribute disproportionately to fire risk and battery leakage. These products should be prohibited at EU level. The ESPR should define design requirements and enable targeted bans where appropriate.
- **Embed battery-related fire risks in strategic and economic assessments**: the rising cost burden, safety risk, and insurance volatility linked to lithium batteries must be integrated into the Commission's risk assessment frameworks for the waste and circular economy sectors. The full economic impact must be acknowledged and addressed in future legislation and funding programmes.

2.6. Tackling substances of concerns as an obstacle to circular economy

To ensure the safety, credibility, and marketability of recycled materials, the Circular Economy Act must address the growing challenge posed by substances of concern in waste streams. These substances threaten the quality of recycled materials, complicate treatment processes, and pose risks to human health and the environment if not properly managed. Ensuring the safe circulation of materials requires both upstream action at the design stage and building capacity for safe treatment at end-of-life. FEAD recommends the following[8]:

- **Phase out substances of concern at the source ("close the tap"):** the Commission should prioritise the restriction and substitution of substances of concern during product design. To ensure safe substitution, the environmental impact and end-of-life behaviour of alternative substances must be thoroughly assessed. Full transparency from manufacturers on product composition is essential, as is strict enforcement of equivalent requirements for imported goods.
- **Invest in traceability, measurement, and decontamination technologies:** support the development of harmonised contaminant detection methods, advanced separation and treatment technologies, and digital traceability tools to improve recycle quality. These investments will enable recyclers to meet increasingly stringent requirements while preserving market access.
- **Ensure fair cost-sharing based on the polluter pays principle:** producers placing substances of concern on the market must contribute to the costs of managing their impacts at end-of-life. While EPR may not always be appropriate, alternative financing mechanisms should ensure that waste operators are not left to bear the burden alone.

  Promote a phased, risk-based approach to contaminant management: For waste streams that cannot be fully decontaminated, a risk-based approach should

[8] Please find more information on FEAD's position on substances of concerns here: 20241022_FEAD-PP-Contaminants-and-substances-of-concern.pdf

define safe applications within closed-loop or traceable systems, while allowing for gradual improvement through investment in innovation.

3. WEEE Directive Revision

FEAD welcomes the Commission's intention to modernise the Waste Electrical and Electronic Equipment Directive within the Circular Economy Act. FEAD also welcomes the intention to **turn the WEEE Directive in a Regulation**, as the various interpretations of the current framework result in different obligations and conditions in each Member State, contributing to an uneven playing field in a variety of points (e.g. competition faced between operators, severity of enforcement, waste categories, registration requirements, storage and collection methods etc.).

Additionally, Europe's current system still under-collects WEEE, loses valuable critical raw materials (CRM) and does not achieve true circularity. A revised WEEE framework should deliver three outcomes: (i) substantially higher, safer, and more convenient collection; (ii) efficient and economically viable recovery of materials, including CRMs; and (iii) fair, transparent, and fully cost-covering extended producer responsibility that rewards performance while closing enforcement gaps.

3.1. Ensuring circularity of WEEE

The value of materials in WEEE is continuously decreasing due to the reduced use of metals and the increased use of lower-cost materials, such as plastics, in EEE. This affects the ways in which recycled materials can be used and thus the economic viability of recycling.

All approaches presented in . Circular economy to ensure a stable and growing circular economy remains valid for the WEEE sector, especially:

- **Creating EU market demand for recycled materials from WEEE** by imposing recycled content targets for key materials present in WEEE, such as plastics.
- **Increasing recyclability via ecodesign**, ensuring each type of EEE placed on the market can be recycled at scale, and to enable the recovery of as many materials as possible. In the case of EEE, ecodesign should also address the issue of limiting the use of substances of concern and facilitating the recovery of CRM (see below).
- **Ambitious but realistic recycling and recovery targets**, tailored to each WEEE category.
- **Efficient EPR schemes to finance the system and encourage good practice** that goes beyond the regulatory minimum in terms of ecodesign and recycled content. See .5 A solid framework for EPR for more information on EPR.

3.2. Raising collection in practice

Targets and calculation methodology. Ambitious targets remain important to drive performance. Any revision of the calculation method must not lead—de facto—to lower ambition.

FEAD proposes a series of approaches to increase the collection of WEEE, beginning with the **densification of collection networks** to make the WEEE collection a seamless experience for consumers:

- **Obligations for online sellers and reverse logistics.** With online retail steadily growing, FEAD considers it very important to require online sellers—including those based outside the EU—to provide free take-back at delivery (reverse logistics) and to co-finance dense, producer-funded collection networks close to households and SMEs. Proper enforcement across all Member States and strict controls for all actors placing EEE on the market are essential.
- **Retailer obligations irrespective of point of purchase.** Sellers should accept WEEE regardless of where the product was originally purchased, to expand the density and clarity of drop-off options and align with consumer behaviour.
- **Deposit-return systems (DRS) for batteries and embedded devices.** DRS for WEEE should be assessed case-by-case, based on environmental outcomes, territorial context, and market impacts. FEAD sees strong potential for **DRS on lithium batteries and battery-embedded devices**, see Addressing lithium batteries fire in the waste management.
- **Minimum standard requirements for collection** sites should be defined to improve the quality of the waste arriving at the plants

Public awareness and convenient access. Sustained, product-specific national campaigns are very important to raise returns in low-performing categories and to address fire risks from embedded batteries. Campaigns should be targeted, co-financed by PROs, and tied to practical convenience.

Tackling illegal exports and misclassification. Illegal exports drain Europe's collection base and depress investment. FEAD calls for: (i) EU-level minimum requirements for equipment exported for re-use outside the EU, to prevent WEEE being shipped as EEE when it should be recycled; (ii) reinforced border controls and equivalent treatment conditions for non-EU facilities; and (iii) EU guidelines to harmonise classification practices so customs and port authorities consistently distinguish WEEE from scrap and used EEE.

Data, registration, and reporting. Effective oversight requires visibility on flows without unnecessary burden. FEAD supports national-level, harmonised data collection with a **single data collection point** where there are competing PROs, while ensuring compatibility with well-functioning existing reporting practices. WEEE management should be performed by **approved collectors contracted with producers/PROs and following WEEE treatment standards**. Any shift to unified reporting must avoid duplicative obligations for operators and must not destabilise performing national setups.

3.3. Unlocking material and CRM recovery from WEEE

The main impediments to material recovery from WEEE are **insufficient demand**, **low concentrations and dispersal** of CRMs across devices, and **uncompetitive economics** vis-à-vis virgin supply. While recovery is technically feasible for certain CRMs, it often requires

complex and costly dismantling and separation processes to extract very small quantities from mixed fractions.

Information and design for disassembly. Recyclers lack reliable, actionable information on CRM content and location in WEEE and EEE are poorly designed for disassembly and efficient recycling. **Ecodesign** requirements must facilitate identification, removal, and safe extraction of components, as well as overall recyclability of the appliance. **Ecomodulation** should reward design that eases recovery, recyclability and the use of recycled materials, including of CRM. The **Digital Product Passport (DPP)**[9] could be one of the tools to increase transparency and efficiency in the CRM recovery value chain, for example by giving recyclers the quantities, where-to-find, and dismantling procedures. The DPP implementation and data-access costs (including readers at recyclers' facilities) should be shared with EPR schemes.

Price signals and operating costs. Low prices of primary materials, high costs of recycling due to dispersed quantities, and high cost of energy in the EU all disadvantage recycling, both for CRM and other materials such as plastic. WEEE EPR schemes should provide financial support for downstream recycling infrastructure to identify, sort and extract recyclable materials, including CRM, to **make recycled materials more competitive**. Furthermore, FEAD urges the Commission to ensure that **energy cost relief** and industrial policy tools also reach sorters and recyclers, who often do not qualify for current energy-intensive industry schemes yet face relatively higher energy costs than primary producers.

Access to the WEEE market and technology neutrality. A recurring concern is the diversion of WEEE to scrap metal yards or large shredders. However, this practice is not the reason for low CRM recovery rates, and it would be unfair and counterproductive to exclude these operators from the WEEE market. If the EU aims to maximise CRM recovery, all technologies and processing methods should be considered. WEEE-dedicated facilities and large shredders have different yields, technical approaches, and business models, but each can contribute to CRM recovery. FEAD recommends allowing their participation under clearly defined conditions, such as an obligation to operate post-shredding technologies (PST), or the introduction of realistic CRM recovery performance targets.

Infrastructure and refining capacity. Europe lacks sufficient **refining capacity** because the business case for recycled CRMs is weak. EU facilities struggle to compete with third countries, where refining infrastructure benefits from lower costs and more favourable economic conditions. As demand for recycled CRMs grows, investment in EU infrastructure will follow — but only if the economic conditions improve. The CEA/WEEE package should therefore align recycled materials supply with **EU industrial capacity to use recycled CRMs**, avoiding mismatches between available sources and end-users.

Innovation and technology readiness. Continuous innovation must be supported, particularly for advanced separation and for rare earth magnet recovery and purification where EU capacity is still limited. The issue is not the lack of technology, but rather the need for innovation to keep pace with rapid changes in product design and complexity.

Standardised treatment. Standard EN 50625, which sets out the requirements for the collection, logistics and treatment of WEEE, should be mandatory for all operators handling WEEE and regularly updated to reflect ongoing market developments. This would contribute

[9] Please find more information on FEAD's position on the implementation of the Digital Product Passport here: 20250701_FEAD_Digital-Product-Passport_Public-Consultation.pdf

to ensure that all types of operators contribute equally to WEEE collection and treatment, creating a level playing field.

3.4. Optimising WEEE categories

Targeted category reform can improve logistics, safety, and CRM recovery:

- **Photovoltaic (PV) panels: Create a dedicated category.** PVs do not fit current category 4; lifespan, composition, and treatment routes justify specialist handling and dedicated facilities.
- **Digital and telecom equipment:** Replace the size-based split with a **single IT/telecom category**, regardless of dimensions. Treating large server cabinets like washing machines is illogical; grouping all IT/telecom devices together will better support CRM and precious metal recovery.

3.5. Making EPR for WEEE fit for purpose

FEAD has a comprehensive position on EPR schemes, presented in the chapter .5 A solid framework for EPR and that still applies for WEEE EPR schemes.

Producer responsibility and target compliance. FEAD supports keeping producers legally responsible for meeting national WEEE collection targets and for the externalities of uncollected and mismanaged WEEE. Producer responsibility must go beyond hitting a numeric target: even when targets are met, producers remain responsible for WEEE left in informal channels, or causing environmental and operational damage (e.g., battery fires). Penalties for non-compliance should be clearly defined, strictly and promptly enforced, and embedded in a harmonised EPR framework so they do not trigger double counting or artificial cross-border "target chasing."

What WEEE EPR should finance. Beyond collection-to-recycling, EPR should cover: final treatment and additional depollution costs associated with the presence of substances of concern in WEEE; targeted awareness campaigns; compositional surveys (including mixed municipal waste and other likely WEEE-bearing streams like CDW and residual industrial waste); data gathering and reporting; and should **co-finance downstream upgrades** to identify, sort, dismantle, and recover materials from WEEE. For EEE with embedded batteries, EPR must contribute to fire prevention and mitigation (detection and suppression systems, insurance, emergency response, and facility recovery).

B2B vs B2C. FEAD supports **keeping B2B and B2C EPR schemes distinct**. Markets, product characteristics and logistics differ substantially and should be reflected in organisation and fee structures. Ambition levels can converge, and lessons can flow both ways, but a forced one-size-fits-all model would be counterproductive. Mandatory take-back system for BtoB WEEE should be implemented as it is currently the case under Article 5 of the WEEE Directive for WEEE from private households.

Annex I - Cap & trade system – FEAD analysis

Why cap & trade fails to deliver effective waste management outcomes

Case study: UK Landfill Allowance Trading Scheme – LATS.

The Landfill Allowance Trading Scheme (LATS) was introduced in UK in 2005 as a key policy instrument to ensure compliance with the EU Landfill Directive (1999/31/EC), which required Member States to progressively reduce the landfilling of biodegradable municipal waste (BMW). Under the scheme, annual landfill allowances were allocated to each waste disposal authority (WDA), representing the maximum amount of BMW that could be sent to landfill. These allowances were supposed to be reduced year by year, reflecting the Directive's progressively stricter diversion targets. To provide flexibility and economic efficiency, LATS allowed the WDAs to trade allowances on a market basis - buying, selling, borrowing against future years, or banking for later use - depending on whether they had a surplus or deficit. This market-based mechanism was intended both to ensure overall compliance and to incentivise local authorities to reduce landfilling of biodegradable waste and invest in recycling and recovery options. In practice, while the early years of the scheme saw significant reductions in landfilled BMW and active trading among WDAs, the role of LATS weakened after 2008 due to sharp increases in the UK Landfill Tax, which created stronger economic disincentives for landfill disposal. As a result, the scheme was brought to an end after the 2012/13 compliance year, earlier than originally planned, after proving ineffective and administratively burdensome.

The experience of the UK's LATS demonstrates that cap & trade mechanisms in waste management could fail to deliver the desired environmental and economic outcomes.

From the perspective of the waste management industry, several structural weaknesses explain why LATS and, by extension, similar cap & trade systems, failed to achieve their objectives. Below are the identified causes of failure:

Over-allocation undermined market functioning. Excessive issuance of allowances created a persistent surplus, reducing both the need and the incentive for trading. On average, Waste Disposal Authorities (WDAs) received 22.9% more allowances than required between 2005 and 2012, leading to price instability and weakening the pressure to invest in sustainable waste solutions.

Ineffective policy interaction and redundancy. Another issue was created by the simultaneous presence of the Landfill Tax, which created a policy overlap that rendered LATS increasingly irrelevant. The tax, rising steadily to £80/tonne by 2014, became the dominant economic driver for landfill diversion. As a result, LATS added complexity without delivering additional environmental benefits. This became evident in the system not being upgraded to adapt to changing circumstances.

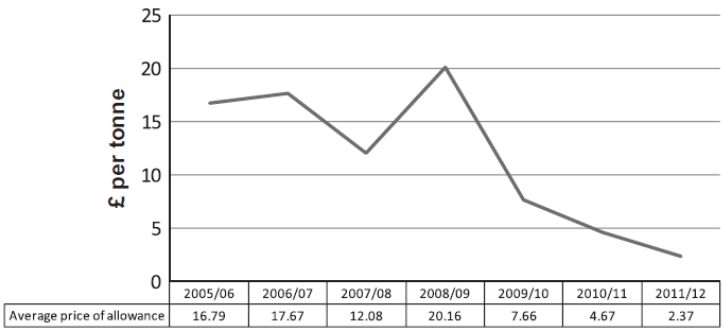
Unstable prices prevented long-term planning. For cap & trade to drive behavioural change, allowance prices must remain high and predictable. In the LATS system, prices

became volatile and ultimately collapsed from £15–20/tonne to less than £5/tonne by 2012, not high enough compared to the cost of disposal.

The price drop was mainly the result of two combined effects:

1. Oversupply of allowances – in the first years of the LATS programme, local authorities accumulated a surplus of allowances thanks to higher-than-expected diversion of biodegradable municipal waste from landfill. This surplus reduced the pressure to buy allowances on the market, driving prices down.
2. Rising landfill tax – from 2008, the UK landfill tax increased by £8 per tonne every year, making landfilling more expensive on its own. This gave local authorities a strong financial reason to avoid landfill regardless of LATS, further lowering demand for allowances.

Together, these two factors meant that by 2009/10 the allowance price dropped significantly and kept falling, as the market no longer needed high-priced allowances to meet diversion targets. In effect, the landfill tax became the main policy driver, and the LATS price signal lost relevance until the scheme was eventually phased out.



	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Average price of allowance	16.79	17.67	12.08	20.16	7.66	4.67	2.37

Figure 1 - Cap and trade schemes on waste management: A case study, Maria Calaf-Forn, Jordi Roca, Ignasi Puig-Ventosa

Design flaws and administrative burden

Grandfathering allocations. The initial allocation based on grandfathering (i.e., the historical amount of BMW landfilled by each WDA) created a distorted incentive: authorities that historically landfilled more waste received more allowances, effectively being 'rewarded' compared to those that had already made efforts to reduce waste. This contradicts the 'polluter pays' principle, because it does not penalize historically higher polluters. The result was a regressive effect: more virtuous authorities had fewer opportunities to generate revenues by selling surplus allowances, while less virtuous ones could cover their needs at a lower cost.

Flexibility: banking and borrowing. The options of banking (carrying over unused allowances to future years) and borrowing (using future allowances in advance) improved cost-efficiency in the short term but had side effects:

- Accumulation of surplus allowances in early years, causing price-depressing pressure on allowances.

- Reduced pressure to cut landfilling immediately, allowing action to be postponed.

In short, flexibility worked well as a cost-optimization tool but weakened short-term environmental effectiveness and increased price volatility.

LATS + Landfill Tax: higher costs and complexity. Running two instruments in parallel (a trading scheme and a steadily increasing landfill tax) imposed a significant administrative and managerial burden on WDAs and landfill operators:

- Monitoring and reporting: authorities and operators had to collect, validate, and submit detailed waste flow data to comply with both LATS and landfill tax fiscal declarations
- Complex strategic planning: WDAs had to decide each year whether to buy/sell allowances, use banking or borrowing, or invest in alternative treatments (MBT, composting, incineration), while simultaneously managing the rising cost of the landfill tax
- Contracting and negotiation: participating in the allowance market required negotiating, signing trading agreements, managing price risk, and ensuring compliance with legal deadlines
- Duplicate administrative costs: running two parallel compliance systems (allowance trading + tax reporting) required dedicated staff, training, and IT systems
- Regulatory uncertainty: having two overlapping instruments created unpredictability for operators, with a risk of overlapping penalties and conflicting incentives.

Consequences of the application a cap-and-trade system for waste management in EU

The experience of the UK's Landfill Allowance Trading Scheme (LATS) highlights several risks and unintended effects that the implementation of a cap-and-trade mechanism for waste management could create at EU level. Introducing such a system would need to consider a number of structural, economic, and legal consequences:

Increased costs and administrative complexity. A cap-and-trade system for landfills would require a robust infrastructure for monitoring, reporting, and verifying waste data across all Member States (MS). This entails:

- Annual data on waste generation, treatment, and final disposal, verified at multiple levels (municipal, national, EU)
- Calculation and allocation of allowances at national, regional or plant level, including initial distribution (grandfathering or benchmarking), updates, and enforcement
- Establishment of a trading platform to ensure market transparency and prevent speculation or market abuse
- Compliance monitoring and sanctioning procedures for exceeding caps.

These requirements would create additional administrative costs for competent authorities and for landfill operators, including:

- Hiring additional staff dedicated to compliance, market participation, and reporting.
- Developing or upgrading IT systems to support allowance allocation, banking, borrowing, and trading.
- Increased transaction costs for negotiating allowance trades and managing price risks.
- Higher costs for data verification and audits.

For operators, particularly final receiving operators, this represents an additional layer of compliance for activities they do not directly control, since they are often simply recipients of waste delivered by municipalities or private collectors. Transferring the economic burden to these operators could distort the market and undermine investment security.

Risk of penalising high-performing Member States. Many Member States have already reached or even exceeded the 2035 municipal waste landfill target (maximum 10% landfilled), often through long-term investments in waste prevention, recycling and energy recovery. Applying a single EU-wide cap-and-trade mechanism risks over-penalising these frontrunner countries, since:

- Their capacity to further reduce landfill rates is limited due to already low baseline levels.
- They would have fewer allowances available for trading, reducing their flexibility compared to MS still heavily reliant on landfill.
- Member States could even be incentivised to increase the amount of waste sent to landfill in order to receive more allowances, which they could then trade on the market and generate revenue from.
- This could lead to an uneven distribution of costs across the EU, effectively penalising early movers and undermining the ‘polluter pays’ principle.

Such an outcome risks fragmenting the EU single market for waste and could be seen as contrary to the objectives of Article 114 TFEU, which seeks to harmonise the internal market and avoid distortions of competition.

Need for long-term stability and predictability. The LATS case showed that price volatility undermines investment in recycling and recovery infrastructure. For a cap-and-trade system to be effective at EU level, it would require:

- A long-term compliance horizon, giving MS and operators predictability to plan investments.
- Stable and predictable prices that do not follow market dynamics but policies objectives.
- A robust data system at EU level to ensure consistent, real-time monitoring of waste generation and treatment.

Without these safeguards, the system risks becoming administratively burdensome, economically inefficient, and politically unpopular, as seen with LATS.

Conclusions

While cap-and-trade schemes like the UK's LATS can theoretically manage waste, they have proven prone to inefficiencies, unstable pricing and burdensome costs. In contrast, well-designed environmental taxes, such as the landfill tax, provide strong, predictable price signals, encourage waste prevention and circular economy solutions, and minimise administrative burdens. The key weakness in LATS was the failure to upgrade the system in response to changing conditions. The system requires continuous attention and investment for updates, new infrastructure, and implementation, resulting in higher costs and administrative burdens. FEAD strongly believes that this should not be imposed on operators, especially when other tax mechanisms are already delivering satisfactory results. Instead, more upstream measures should be pursued, such as mandatory separate collection of biowaste and stricter enforcement of Landfill Directive targets.

Circular economy act
FEAD policy recommendations

FEAD
European Waste Management Association

Executive Summary

The Circular Economy Act presents a historic opportunity for the European Union to deliver on its ambitions, improve resource efficiency, reduce external dependencies, and unlock sustainable industrial growth. FEAD, the European Waste Management Association, representing the private waste and resource management sector across Europe, strongly supports the development of this legislation as a cornerstone of the Clean Industrial Deal and the competitiveness agenda.

This paper provides FEAD's key recommendations for a robust and actionable Circular Economy Act. It builds on our Manifesto[1] and aligns with the Commission's strategic goals, including those articulated in the Letta and Draghi reports. Our proposals focus on addressing persistent market failures, enhancing the competitiveness of recycled materials, promoting fair and transparent markets, and ensuring effective implementation and enforcement across the EU.

1 *https://fead.be/wp-content/uploads/2024/05/FEAD-Manifesto-2024.pdf*

FEAD proposes ten policy recommendations to ensure that the Circular Economy Act delivers tangible and systemic impact:

1. **Boost demand for European recycled materials** through binding recycled content targets, a 25% Circular Material Use Rate (CMUR) by 2030, economic incentives (VAT reductions, tax credits), and mandatory green public procurement.

2. **Create a competitive market for recyclates** by addressing structural cost disadvantages through targeted funding, tax reforms, and fair State aid rules.

3. **Adopt EU-wide End-of-Waste criteria** to unlock a functional Single Market for recycled materials.

4. **Ensure fair trade and competition** by applying mirror clauses to imports, improving traceability, and avoiding new trade barriers or export restrictions.

5. **Simplify permitting and waste shipment procedures** with digitalised, accelerated, and harmonised systems across Member States.

6. **Reform Extended Producer Responsibility (EPR) schemes** to ensure they address market failure, respect competition, and drive product eco-design.

7. **Recognise the essential role of Waste-to-Energy (WtE)** for non-recyclable residues, and support investment in upgrading WtE infrastructure.

8. **Manage substances of concern** through upstream restrictions, traceability tools, and decontamination technologies, sustained by the polluter pays principle.

9. **Strengthen enforcement and governance**, ensuring that EU rules are implemented evenly, and that public and private operators compete on a level playing field.

10. **Reduce fire risks from lithium batteries** by creating a Battery Fire Fund under EPR, introducing a Deposit and Return System, and incorporating fire risk into EU strategic assessments.

FEAD stands ready to work with EU institutions and calls for a rapid establishment of the **Clean Industrial Dialogue on Circularity** to ensure the Circular Economy Act delivers a real and strong circular economy.

Introduction

In a context of growing material demand[2] and rising global waste generation, projected to increase by 70% by 2050[3], the European Union faces urgent pressure to secure a sustainable and resilient supply of raw materials. The geopolitical climate, disruptions to global supply chains, and increasing competition for critical inputs have exposed Europe's dependence on finite resources. At the same time, environmental and climate targets demand a shift away from extractive models toward circular, low-carbon alternatives.

FEAD, the **European Waste Management Association**, representing the private waste and resource management industry across Europe, strongly **supports the development of a robust and actionable Circular Economy Act**. We urge the European Commission to develop legislation that goes **beyond critical raw materials**, and lays the foundation for a truly circular European economy, that enhances strategic autonomy, supports domestic industrial ecosystems, and delivers local employment.

This initiative is timely and aligned with the calls of the Letta Report on the Single Market and the Draghi Report on competitiveness. Both reports call for bold action to remove structural bottlenecks, enhance resource efficiency, and revitalise European industry. A well-crafted Circular Economy Act serves as a cornerstone of the Clean Industrial Deal, and offer a concrete response to the challenges identified in the Commission's Competitiveness Compass.

The waste and resource management industry plays a dual role: it is both a public service ensuring environmental protection and health, and a key enabler of a competitive circular economy, recovering materials, energy and reducing reliance on virgin inputs. By supplying recycled materials and renewable energy, the sector contributes significantly to **CO_2 savings**, making it an essential pillar in achieving the EU's **climate neutrality targets**. At the same time, it strengthens the **resilience of the European economy** by reducing strategic dependencies on imports and reinforcing the security of supply for critical sectors.

2 *https://www.oecd.org/en/publications/global-material-resources-outlook-to-2060_9789264307452-en.html*

3 *https://openknowledge.worldbank.org/entities/publication/d3f9d45e-115f-559b-b14f-28552410e90a*

Challenges

Despite all the effort of the EU, the performance of the European economy in circular material use remains stagnant[4]. In 2023, only 11,8% of materials used by European industry were derived from recycled sources: an increase of just 1,1 percentage points since 2010. This stagnation highlights the need for

- **robust demand-side measures to complement existing supply-side efforts, and**
- **a level playing field with primary materials.**

Several interrelated challenges continue to hinder the growth and competitiveness of the circular economy in Europe:

- **Limited market demand:** recycled materials are often more expensive than their virgin counterparts due to unaccounted externalities in the pricing of raw materials and overcapacity in third countries.
- **Lack of investment incentives:** capital-intensive recycling operations face regulatory complexity and insufficient financial support.
- **Unfair competition from imports:** non-EU recycled materials often lack reliability, traceability and quality control, undercutting EU standards.
- **EPR scheme limitations:** many schemes are poorly managed, lacking effective incentives to improve recycling and circular design, while unfairly competing with waste management companies.
- **Infrastructure gaps:** especially in separate collection systems for WEEE and biowaste.
- **High landfilling rates of municipal waste:** about 51 million tonnes of municipal waste are still landfilled in the EU (corresponding to 22% in 2023)[5] with striking differences between Member States.
- **Fragmented End-of-Waste criteria:** divergent national criteria and lengthy processes at EU-level hamper the Single Market for recycled materials.
- **Safety risks:** mismanaged waste, particularly lithium batteries and nitrous oxide canisters, is causing rising fire incidents.
- **Substances of concern:** their presence complicate recycling, raise safety risks, and reduce the quality and marketability of recycled materials.
- **Weak implementation:** key EU rules suffer from poor or uneven enforcement across Member States.

4 *https://www.eea.europa.eu/en/circularity/thematic-metrics/materialsandwaste/circular-material-use-rate*

5 *https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Municipal_waste_statistics#Municipal_waste_treatment*

Vision

The waste management sector plays an indispensable role in the functioning of Europe's economy and society. It safeguards public health, prevents and filters out pollution, and provides the infrastructure and expertise needed to manage Europe's waste sustainably. But more than that, it is **the backbone of the circular economy**: an industrial system that transforms society's discards into new resources, energy, and economic value.

Waste management is Europe's invisible filter, enabling the transition from a linear to a circular economy. Through investments in collection, sorting, recycling, and recovery, the sector turns waste into inputs for production, reducing Europe's reliance on virgin materials, fossil energy and third-country imports.

To achieve the EU's strategic objectives, FEAD calls for a step change in how the circular economy is understood and implemented. The Circular Economy Act should not only support critical raw materials, but should fix the underlying market failures that hold back circularity across the broader economy.

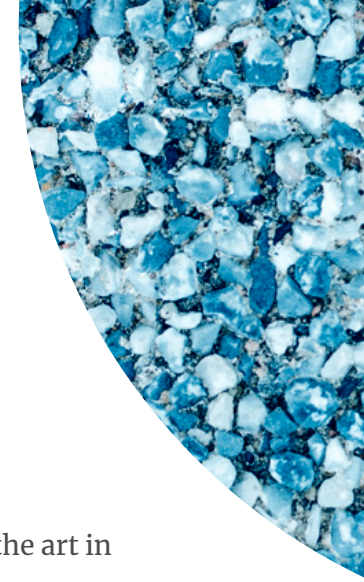
This Act must be a transformational framework based on two central pillars:

Boosting demand for recycled materials through minimum recycled content requirements, public procurement mandates, and economic incentives. In FEAD's Manifesto we called a binding **25% Circular Material Use Rate (CMUR) target by 2030 that is perfectly aligned with the KPI set in the Clean Industrial Deal.**

25%
by 2030

Creating a true Circular Single Market, where recycled materials produced in Europe can move freely, compete fairly, and be prioritised in line with decarbonisation and strategic autonomy goals.

Policy recommendations for the Circular Economy Act



1

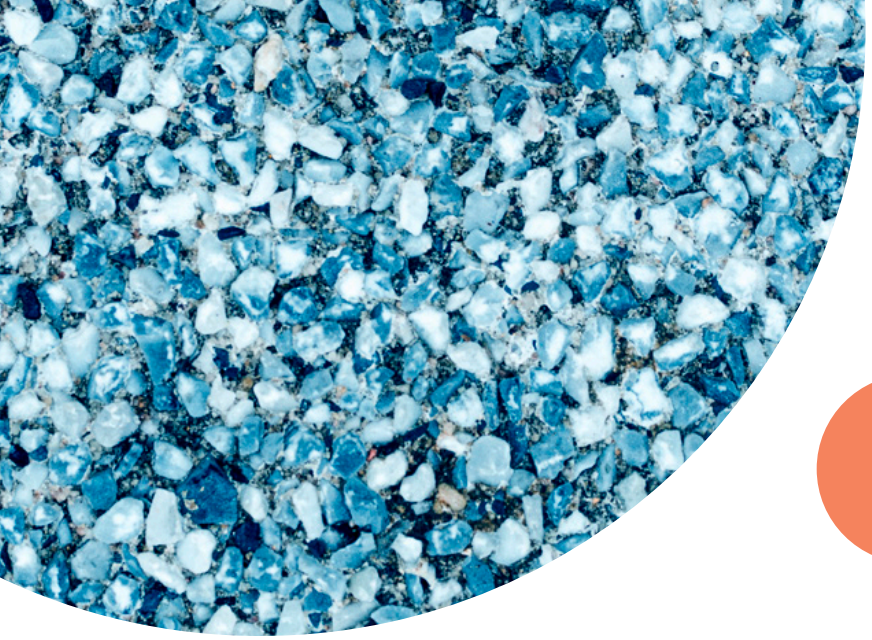
Boost demand for recycled materials

Europe's transition to a circular economy depends on unlocking demand for recycled materials. Recycled content accounts for just 11.8% of materials used in the EU, a figure that has barely changed in a decade, highlighting the need for strong policy intervention.

To stimulate circular markets and shift manufacturers toward circular inputs, the Circular Economy Act should introduce a suite of **coherent, demand-focused measures**. These should combine regulatory requirements with economic incentives and market governance.

FEAD recommends the following:

- **Set binding recycled content targets across sectors and materials:** introduce additional mandatory recycled content requirements for a wider range of applications, including construction materials, plastics beyond packaging, electronics, and textiles. Maintain and strengthen existing targets for European post-consumer recycled content also with intermediary targets.
- **Protect the definition of recycled content:** ensure that only post-consumer waste is counted. **Exclude biobased materials and pre-consumer waste from the definition of 'recycled content'**.
  - Biobased materials cannot be classified as recycled unless they result from actual waste recovery processes, and their recyclability must be proven according to the state of the art in existing technologies.
  - Pre-consumer, post-industrial waste and by-products, which are already part of controlled industrial loops, cannot be equated with post-consumer waste. Post-consumer waste must be collected from dispersed sources, requiring the commitment of consumers and municipal systems, and is more prone to pollution, loss of traceability, and contamination. Its treatment is therefore significantly more complex and costly and cannot compete.
- **Prioritise European recycled materials in product policy and procurement:** to support a strong internal market for recycled materials, policies such as recycled content targets, ecodesign, ecolabels, and GPP criteria should give preference to recycled materials sourced and processed within the EU. This approach would recognise the higher traceability and environmental control of European waste management value chains.
- **Establish a binding 25% Circular Material Use Rate (CMUR) by 2030:** adopt a horizontal target for recycled materials in industrial production across the EU, with intermediate milestones. This should remain an EU-average target. At the same time, it is recognised that does not fully capture the breadth of circular practices. We therefore recommend a revision of the metric to better reflect waste prevention and reuse efforts and to reward the use of recycled content, including when it is sourced from different Member States within the European internal market.



2

Create a competitive market for recycled materials

- **Introduce EU-level incentive schemes for recycling:** implement financial incentives that reward either the recycling process itself or the use of recycled materials in production. These schemes could include:
  - Reduced VAT rates for recycling activities
  - Circular economy tax credits for manufacturers incorporating recycled materials
  - Recognition of avoided CO_2 emissions from recycling, through a dedicated decarbonisation mechanism
- **Embed circularity in public procurement:** make Green Public Procurement (GPP) mandatory across Member States. Public authorities should prioritise recyclable products and those made with recycled content.
- **Introduce sustainability criteria based on carbon footprint:** define binding sustainability criteria that rank and prioritise materials, especially polymers, both virgin and recycled, based on the carbon footprint. These criteria should also account for the environmental performance of different recycling technologies to promote low-carbon circular solutions.

While boosting demand is critical, Europe must also address the persistent barriers limiting the availability and competitiveness of recycled materials. High energy costs, regulatory fragmentation, and lack of investment incentives have created structural disadvantages for recycled materials compared to virgin raw materials. As a result, many recycling operations struggle to scale, and manufacturers continue to rely on primary inputs.

The Circular Economy Act should directly tackle these supply-side challenges by stimulating investment, reducing market distortion, and improving the economics of recycling.

FEAD recommends the following:

- **Create a dedicated Competitiveness Fund toolbox for Circular Economy:** establish a well-resourced EU-level fund to support recycling infrastructure, innovation, and technology deployment. The fund should target European recycled materials that can substitute virgin ones. It should also be equipped to address temporary market failures, e.g. current plastic and textile circularity infrastructures.

- **Introduce capital incentives and tax credits for circular infrastructure:** to increase private and public investment in sorting and recycling facilities, FEAD recommends the creation of capital allowances and circular economy tax credits under EU and national frameworks. This could also be embedded within the upcoming Competitiveness Fund.
- **Define a reduced VAT rate for recycling services:** to level the playing field with virgin materials, recyclers should benefit from a reduced or zero VAT rate. This would send a clear fiscal signal in favour of circular business models and enhance the competitiveness of recycled materials.
- **Amend the Guidelines on State Aid for Climate, Energy and Environment (CEEAG)** to include recycling activities and infrastructure within the scope. Currently, manufacturing industries benefit from energy levy reductions while competing with recyclers for access to materials and market share. Recycling must be eligible for equivalent support under the same logic.
- **Include recycling capacities** and not only manufacturing activities that incorporate recycled content **in the new State aid Framework accompanying the Clean Industrial Deal Communication**.
- **Ensure fair competition between recycled and virgin materials:** virgin materials are often artificially cheaper because their environmental and climate externalities are not fully internalised and there is a significant overproduction in third countries. The EU should explore market-based instruments (e.g. carbon pricing, material taxes) to reflect these externalities, ensuring recycled materials are not penalised by an unfair cost structure.
- **Resist protectionist responses that distort markets:** FEAD notes with concern emerging proposals to restrict exports of valuable waste streams or apply fees to international movements. Rather than creating market barriers, the focus should be on building incentives that support competitiveness and improve recyclate quality, thereby keeping value in Europe.

3

EU-wide end-of-waste criteria and mutual recognition

One of the most persistent regulatory obstacles facing the circular economy is the fragmented and inconsistent approach to End-of-Waste (EoW) criteria across the EU. Despite the objective of establishing a true Single Market for recycled materials, they are still often treated as "waste" even after full processing. This undermines cross-border trade, adds legal uncertainty and costs, inhibiting investments in recycling capacity.

FEAD recommends the following:

- **Fast-track the adoption of EU-wide end-of-waste criteria for key waste streams:** prioritise the development and provide sufficient resources to establish harmonised EoW criteria for waste streams where significant recycling markets already exist, such as plastic, paper, tyres, textiles, and construction and demolition waste. Investigations on promising markets, should also be developed.
- **Allow industry-led technical dossiers to support the criteria-setting process:** the current system relies heavily on Joint Research Centre (JRC) studies, which are resource-intensive and slow. FEAD recommends that the Commission allow sectors or value chains to submit robust technical reports, including standardisation efforts and best practices, as a basis for developing criteria. This would reduce bottlenecks and speed up rulemaking.
- **Ensure mutual recognition of national end-of-waste criteria:** in cases where EU-wide criteria do not yet exist, the Commission should enforce mutual recognition obligations under Article 6 of the Waste Framework Directive. **Recycled materials that meet established EoW criteria in one Member State should be recognised as non-waste in others**, unless there is a clear, justified reason for refusal that is motivated within a short timeframe (tacit approval). At the same time, this process must include safeguards to avoid a race to the bottom, ensuring that national criteria are based on robust environmental and quality standards.
- **Clarify legal consequences and thresholds of EoW status:** to provide certainty to operators, the Commission should issue guidance on the rights and obligations attached to EoW status, including traceability, REACH and CLP compliance, and liability. This would help recyclers better understand the regulatory implications and ensure consistent application across Member States.

4

Strengthen circularity through fair competition and trade

A circular economy cannot thrive without fair and transparent market conditions. While EU recyclers are subject to high environmental, quality, and traceability standards, imported materials and products, often with lower sustainability credentials, frequently bypass these rules. This undermines both the environmental goals of the EU and the economic viability of domestic recycling.

Global trade in waste and recycled materials must be governed by principles of environmental equivalence and mutual accountability. At the same time, it must be ensured that no new trade barriers are created that would impair the competitiveness of the European recycling industry.

FEAD recommends the following:

- **Apply mirror clauses to imported recycled materials and products:** ensure that all materials imported into the EU, particularly those counted toward recycled content targets, are subject to equivalent environmental, social, and quality standards. Imports that do not meet these thresholds should not be permitted on the EU market.
- **Prohibit imports below established environmental thresholds:** to reinforce the effect of mirror clauses, market access should be denied to materials and products that fall short of verifiable EU-aligned environmental criteria. This measure is necessary to protect circular value chains from low-quality, low-cost substitutes that disincentivise domestic recovery and reinvestment.
- **Introduce separate customs codes for virgin and recycled materials:** the current customs nomenclature does not distinguish between primary and recycled materials, making it impossible to monitor trade flows of recycled materials. FEAD calls for the creation of differentiated codes for recycled materials, allowing authorities to track volumes, assess risks, and identify dumping practices.
- **Strengthen border checks and traceability of imports:** customs authorities must be equipped with clear guidance and digital tools to trace the origin and quality of recycled content in imported goods. This includes documentation on treatment standards, certification of processing facilities in third countries and physical controls. Capacity building efforts could be supported by the expertise of the waste management industry, ensuring that enforcement practices are realistic, effective, and aligned with circular economy goals
- **Oppose unjustified export restrictions or fees on recyclables:** rather than restricting exports of valuable waste streams or applying fees on outbound flows (including for critical raw materials), the EU should focus on scaling up a competitive domestic recycling sector and creating market demand. Introducing export barriers risks fragmenting markets, distorting pricing, and potentially breaching WTO commitments.
- **Strengthen traceability and quality assurance:** introduce a Guarantee of Origin system for European recycled materials to support transparency and trust.

5

Simplify regulation, permits and waste shipments

The complexity and fragmentation of regulatory frameworks across Member States continue to act as major barriers to the efficient operation and scaling of circular activities. In particular, lengthy and inconsistent permitting procedures and burdensome waste shipment processes delay infrastructure development and discourage investment in recycling.

Moreover, while the Waste Shipment Regulation has recently been revised to strengthen environmental safeguards, its implementation still faces delays and administrative bottlenecks at national level. The success of the Circular Economy Act depends on a regulatory environment that is predictable, transparent, and streamlined across the Union.

FEAD recommends the following:

- **Mainstream accelerated and digitalised permitting procedures across Member States:** the Commission should promote a common EU approach for permitting that ensures simplified, transparent, and time-bound processes. For example, applications should be subject to a single consolidated information request, and deadlines for regulatory responses should be binding. In cases where authorities fail to respond within the specified timeframe, silence should be considered as tacit approval. Permitting must also be fully digitalised to reduce administrative burdens.
- **Incorporate waste-related circular investments into priority permitting categories:** projects related to circular infrastructure, such as new sorting centres, recycling facilities, or waste-to-energy plants, should benefit from the same treatment as renewable energy projects under accelerated permitting frameworks.
- **Expand the green list of waste streams eligible for simplified intra-EU shipment procedures:** FEAD advocates for the inclusion of additional non-hazardous waste types, such as mixed shredder heavy fractions, in the "green list" for streamlined shipments. This would reduce delays and costs for operators and support recycling across EU borders.
- **Implement a uniform, risk-based financial guarantee system for waste shipments:** the calculation of financial guarantees required for transboundary shipments must be harmonised at EU level. A clear, predictable and risk-proportional model would help operators plan and comply while ensuring environmental protection.
- **Strengthen Member States' administrative capacity for shipment oversight:** enforcement of shipment rules is inconsistent across the EU due to staff shortages, a lack of digital tools, and unclear procedures. The Commission should issue guidance and allocate support for building adequate enforcement capacity, particularly at regional level.

6

A smart framework for Extended Producer Responsibility (EPR)

The Circular Economy Act should enshrine a more precise, consistent, and competition-friendly framework for EPR schemes. When well-designed and properly implemented, EPR can drive eco-design, finance sustainable waste management, and boost recycling rates. However, the rapid expansion of EPR schemes across Europe, often with varying governance models, has raised concerns about market distortion, lack of transparency, and reduced competition.

Crucially, the decision to establish an EPR scheme must be grounded in a **clear assessment of market failure**, with a focus on outcomes, feasibility, and the role of existing actors.

FEAD recommends the following:

- **Apply EPR schemes only in cases of clearly defined market failure**. EPR should not be a default policy tool. It should only be introduced where open market mechanisms cannot deliver environmentally sound waste management and circularity outcomes. FEAD proposes to develop criteria to determine when a market failure exists, for example:
  - When recyclable waste streams are systematically incinerated or landfilled despite the presence of available recycling capacity and viable technologies.
  - When the economics of recycling are structurally unfavourable, e.g. where recycled materials cannot compete with virgin materials due to price volatility, external cost distortions, or inadequate demand, even though recycling is technically feasible. In these cases, EPR can help stabilise investment and stimulate recyclate uptake.
  - When waste is not adequately collected, sorted, or controlled, leading to high littering risk, illegal treatment, or leakage into the environment. Here, EPR can help professionalise the collection chain and improve traceability, especially for dispersed or hazardous product categories.

  Where recycling is not yet feasible, other instruments, such as research support, public investment, or regulatory standards, may be more appropriate than EPR.

- **Prioritise financial EPR over operational EPR:** financial EPR schemes (where producers fund the system but do not operate waste activities) preserve competitive markets and allow waste management operators to compete on service quality and environmental performance. Operational EPR (where PROs also manage collection and treatment directly) should be avoided, as it risks closing markets and concentrating power under unfair competition. In several Member States PROs have used the market information collected from waste management companies while organising the EPR schemes to invest and operate in the same markets using the reserves from the EPR scheme to create new companies that now dominate the markets.

- **Ensure separation of roles and ownership in EPR schemes:** Producer Responsibility Organisations (PROs) only controlled by producers should not be allowed to determine the waste treatment pathway or own treatment facilities to avoid conflicts of interest and protect market competition. **Waste must remain the property of licensed treatment operators**, enabling them to manage quality, invest with certainty, and meet legal responsibilities.
- **Create an independent monitoring and advisory body:** to oversee EPR schemes, the EU should mandate the creation of national monitoring and advisory bodies including waste operators and recyclers. These bodies should:
  - Ensure environmental and economic performance of schemes
  - Advise on fee structures and eco-modulation criteria
  - Ensure that PROs operate transparently and in the public interest
  - Strengthen eco-design incentives through fee modulation
  - Support investment in local sorting and recycling capacity
- **EPR schemes must be used to promote better product design:** this includes lower fees for products with recycled content and that are durable, reusable, repairable, and recyclable, and higher fees for those that are not. The modulation system should be based on clear definitions and harmonised criteria, developed with input from the waste management sector.
- **Ensure data transparency and market access:** PROs must publish clear, disaggregated data on collection, sorting, recycling, and final treatment. Contracts for service provision should be tendered fairly, and access to the market must not be restricted through opaque practices or preferential arrangements.

7

Enhance the role of waste-to-energy and residual waste treatment

While the transition to a circular economy must first and foremost prioritize waste prevention, reuse, and recycling, the reality is that not all materials can be recycled. Even in the most advanced systems, a residual stream will persist, composed of contaminated, complex, or non-recyclable materials. For this fraction, **waste-to-energy (WtE)** offers an essential and environmentally sound solution contributing to resource efficiency by recovering energy and materials from the residues. It plays a complementary role to recycling by providing a hygienic and safe final treatment option and drastically reduces dependency on landfilling, and should be fully recognised within the EU's sustainability and climate frameworks.

FEAD recommends the following:

- **Recognise WtE and bottom ash recovery within EU sustainability and climate frameworks:** as an essential public service, WtE should be explicitly acknowledged as a necessary and climate-compatible part of the waste management hierarchy. This includes integrating WtE facilities treating non-recyclable waste into the EU Taxonomy for sustainable finance and recognising the material recovery from bottom ash as a form of recycling under the Waste Framework Directive.
- **Enable access to EU climate finance and innovation support for advanced WtE systems:** the EU should facilitate investment in modern and efficient WtE facilities that contribute to both environmental protection and system resilience. This includes support for facilities that incorporate carbon capture technologies; those that are integrated into district heating networks or industrial ecosystems; and facilities that adopt hybrid models combining upstream sorting, energy recovery, and post-treatment of residual fractions.
- **Promote a balanced and pragmatic role for WtE in EU waste policy:** EU guidance should clarify the role of WtE as a complementary solution to reuse and recycling and an indispensable tool in diverting waste from landfills. This is especially relevant for Member States that still rely heavily on landfilling and for residual waste streams where no feasible recycling options exist. The Circular Economy Act should offer policy certainty to ensure continued investment in safe, efficient, and climate-conscious treatment infrastructure.

8

Manage substances of concern in the circular economy

To ensure the safety, credibility, and marketability of recycled materials, the Circular Economy Act must address the growing challenge posed by substances of concern in waste streams. These substances threaten the quality of recycled materials, complicate treatment processes, and pose risks to human health and the environment if not properly managed. Ensuring the safe circulation of materials requires both upstream action at the design stage and building capacity for safe treatment at end-of-life.

FEAD recommends the following:

- **Phase out substances of concern at the source ("close the tap"):** the Commission should prioritise the restriction and substitution of substances of concern during product design. To ensure safe substitution, the environmental impact and end-of-life behaviour of alternative substances must be thoroughly assessed. Full transparency from manufacturers on product composition is essential, as is strict enforcement of equivalent requirements for imported goods.

9

Strengthen implementation, enforcement and market governance

- **Invest in traceability, measurement, and decontamination technologies:** support the development of harmonised contaminant detection methods, advanced separation and treatment technologies, and digital traceability tools to improve recyclate quality. These investments will enable recyclers to meet increasingly stringent requirements while preserving market access.
- **Ensure fair cost-sharing based on the polluter pays principle:** producers placing substances of concern on the market must contribute to the costs of managing their impacts at end-of-life. While EPR may not always be appropriate, alternative financing mechanisms should ensure that waste operators are not left to bear the burden alone.
- **Promote a phased, risk-based approach to contaminant management:** the EU should support a pragmatic framework that balances achieving zero pollution while advancing in circularity and reaching the 25% CMUR. For waste streams that cannot be fully decontaminated, a risk-based approach should define safe applications within closed-loop or traceable systems, while allowing for gradual improvement through investment in innovation.

Even the most well-designed circular economy policies will fall short if implementation is weak, enforcement is inconsistent, or markets are distorted by unequal treatment of operators. While the EU has made important strides in setting ambitious waste and recycling targets, uneven transposition, regulatory interpretation, and monitoring across Member States continue to undermine results.

In several cases, Member States have delayed or only partially implemented key provisions of EU legislation, such as the obligation for separate collection of biowaste and textiles. In parallel, divergent classifications of waste and differing interpretations of EU codes (such as R1 and D10 for recovery and disposal) create confusion, legal uncertainty, and barriers to the movement of waste. Moreover, anti-competitive practices, such as the remunicipalisation of waste services without open tenders, are threatening the integrity of the waste and recycling market.

To deliver on its circular ambitions, the EU must ensure that rules are properly enforced, that markets remain competitive, and that waste is managed in line with environmental and economic best practices.

FEAD recommends the following:

- **Ensure consistent and effective enforcement of EU waste legislation across Member States:** the Commission should prioritise the monitoring of national implementation, particularly for rules on separate collection, shipment procedures, and treatment standards. This includes clear expectations on enforcement timelines and the allocation of sufficient administrative capacity at national and regional levels.
- **Harmonise the interpretation and application of key regulatory elements:** to enable the smooth functioning of a Circular Single Market, the application of the European Waste Catalogue, recovery/disposal codes (R1/D10), and classification systems must be consistent across borders. The Commission should issue clarifying guidance and explore the establishment of a centralised technical platform to assist national authorities.
- **Protect competition and fair market access in the waste sector:** it is crucial to ensure compliance with the principles of the free market and fair competition by clearly distinguishing the functions of municipal companies as market participants and as market creators. It should be considered inappropriate for a public entity to simultaneously perform both of these roles, as this may lead to a conflict of interest and a distortion of competitive balance in the market. The growing trend of remunicipalisation in certain Member States—often without competitive tendering—poses a serious risk to market integrity. Public authorities should be required to apply EU procurement law and avoid practices that grant preferential access to municipal operators. Contracts for treatment and logistics must be awarded based on transparent criteria that reward environmental performance and economic efficiency rather than in-house solutions.[6]
- **Ensure a level playing field between private and public operators:** the VAT Directive should be revised to ensure that public bodies providing waste services are treated as taxable entities, preventing unfair fiscal advantages. In addition, it must be ensured that State-owned enterprises do not have easier access to finance and State aid than private entities.

6 *See FEAD's proposal for the revision of the EU public procurement framework here: https://fead.be/wp-content/uploads/2025/03/FEAD-position-paper-evaluation-of-procurement-directives-7-March-2025.pdf*

10

Reduce fire risks from batteries in waste management facilities

The misplacement of lithium batteries in waste streams is causing a sharp rise in fire incidents across the European waste management sector. These fires pose a growing threat to worker safety, destroy critical circular infrastructure, and undermine the financial viability of waste operators. With lithium batteries now embedded in a wide range of consumer products, and often disposed of incorrectly, this issue is intensifying unless decisive action is taken.

Current regulatory efforts under the Battery Regulation and guidance on removability are welcome, but insufficient. The scale of the problem requires additional targeted instruments.

FEAD recommends the following:

- **Establish a battery fire prevention and recovery fund under EPR:** the scope of Extended Producer Responsibility should be expanded to cover preventive measures and compensation for battery-related fire incidents. A dedicated fund should support investments in detection and fire prevention systems, emergency response, awareness campaigns, and compensation for affected facilities. It should also help mitigate rising insurance costs and cover all waste facilities exposed to battery risks, not only those directly managing batteries.
- **Introduce a Deposit and Return System (DRS) for lithium batteries and battery-embedded devices:** a DRS is essential to incentivise proper disposal of batteries and meet the Battery Regulation's ambitious collection targets. It would also reduce fire risks and keep critical raw materials within the EU's circular value chains.
- **Ban disposable products with unnecessary embedded batteries:** items such as single-use e-cigarettes, light-up textiles, and gift cards with batteries contribute disproportionately to fire risk and battery leakage. These products should be prohibited at EU level. The ESPR should define design requirements and enable targeted bans where appropriate.
- **Embed battery-related fire risks in strategic and economic assessments:** the rising cost burden, safety risk, and insurance volatility linked to lithium batteries must be integrated into the Commission's **risk assessment frameworks** for the waste and circular economy sectors. The full economic impact must be acknowledged and addressed in future legislation and funding programmes.

OUR FULL MEMBERS

FEAD is the European Waste Management Association, representing the private waste and resource management industry across Europe, including 20 national waste management federations and 3,000 waste management companies. Private waste management companies operate in 60% of municipal waste markets in Europe and in 75% of industrial and commercial waste. This means more than 500,000 local jobs, fuelling €5 billion of investments into the economy every year.

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