



ICLEI EUROPE's

POSITION ON THE CIRCULAR ECONOMY ACT

Introduction

Who are we?

ICLEI - Local Governments for Sustainability is a global network of more than 2500 local and regional governments committed to sustainable urban development and is active in 125+ countries. ICLEI Europe supports local governments across Europe, Middle East and West Asia in their transition to climate neutrality, to build more resilient and equitable communities.

ICLEI Europe is one of the leading players supporting the circular transition in cities and regions at European level. It coordinates the [Circular Cities Declaration](#), a platform that brings together over 90 cities committed to circularity and 19 influential support partners. ICLEI Europe is an associated partner of the [Circular Cities and Regions Initiative](#) (CCRI), actively contributing to the 4 CCRI Thematic Working Groups, and is also a member of the [European Circular Economy Stakeholder Platform coordination group](#). ICLEI Europe is active on 19 European projects—mostly Horizon Europe—where we support the implementation of a circular economy in sectors like construction, the bioeconomy, or industrial symbiosis. **Through these activities we gather valuable insights into the challenges and opportunities faced by cities and regions and advocate for more ambitious circularity policies at EU level**, typically through the Circular Cities Frontrunner Group.

The Circular Economy Act public consultation

This document is ICLEI Europe's **response to the call for evidence and public consultation for the upcoming Circular Economy Act** (CEA). It builds on the organisation's expertise on circular economy and relies on extensive consultations with cities and regions, through initiatives like the Circular Cities Declaration or the informal Circular Cities Frontrunner Group.

ICLEI Europe welcomes the CEA's ambition to strengthen the single market for secondary raw materials and 'get the economics right' for circular markets, and sees cities and regions as essential to turning these market mechanisms into tangible outcomes.

This document is structured in two main sections:

- **[Section 1](#) recognises the EU's leadership on circular economy, shows that the CEA scope is too narrow and demonstrates how crucial cities and regions are to the circular transition.**
- **[Section 2](#) makes a series of policy recommendations aligned with city and region priorities.**

We remain at the disposal of the European Commission to elaborate on our position and help support the development of the CEA.



ICLEI Europe's position on the upcoming CEA

Why the CEA is needed

Cities and regions recognise the ambitious policy reforms that have established the European Union (EU) as a global leader in the circular economy over the last decade: successive Circular Economy Action Plans, the Right to Repair and key value chain interventions, including on single-use packaging and textiles, or the Ecodesign for Sustainable Products Regulation (ESPR), which has the potential to make many additional products more circular and sustainable. Europe has thus stabilised resource use and reduced impacts on human health, the environment and infrastructure from its industrial emissions by more than 30% while growing the economy¹. Cities and regions have also largely benefited from Horizon Europe financing, and from the support provided by support schemes like the Cities Mission and the Circular Cities and Regions Initiative (CCRI). The growing momentum we are observing at the local level is a testament to the EU's dedication.

However, both material use and waste generation show no signs of a significant reduction in the EU: **this indicates that the EU has not yet transitioned to a low material intensity and less wasteful circular economy.** The targets of significantly reducing material use and waste generation are largely not on track. Each EU citizen still uses about 14 tonnes of materials and generates 5 tonnes of waste annually, which are unsustainably high levels². Circularity is stalling in Europe and even falling globally³. **Closer to us, cities and regions struggle to make the circular economy the new mainstream.** Many projects remain at a pilot stage and aren't scaled up due to lack of funding. Secondary materials remain more expensive than virgin materials. Local and regional administrations lack the capacity and necessary skills to support implementation. Circular entrepreneurs struggle to find viable business models. Incentives for the private sector to think and act circular aren't yet in place. Reliable data at the local and regional level on circular economy—beyond waste and recycling—is missing. Social enterprises are dependent upon short-term and uncertain subsidies... Our policy brief *Accelerate the circular economy for a prosperous and competitive Europe*⁴ and our last *Circular Cities Declaration Report 2024*⁵ provide more insight on challenges faced by cities and regions.

For these many reasons cities and regions across Europe welcome the upcoming CEA and this consultation will likely attract a record number of participation from them.

The CEA is limited in scope

By and large, cities and regions welcome the CEA. **However there is a shared view that its current scope is too narrow, which could ultimately limit its impact.** Firstly, because it focuses almost exclusively on waste and recycling, and secondly, because it fails to adequately involve key actors—namely cities and regions. We offer the following points constructively to help the CEA deliver its stated goal of creating a true single market for waste and secondary raw materials while accelerating upstream prevention and reuse.

¹ European Environmental Agency (2025): Europe's environment 2025, Thematic briefing: [4.1 Circular design and sustainable production](#). Web report.

² European Environmental Agency (2025): Europe's environment 2025, Thematic briefing: [4.2 Waste generation and material consumption](#). Web report.

³ Circle Economy. (2025). [The circularity gap report 2025](#). Amsterdam: Circle Economy.

⁴ Circular Cities Frontrunner Group (2025). Policy brief: [Accelerate the circular economy for a prosperous and competitive Europe](#). Openresearch.amsterdam.

⁵ Circular Cities Declaration (2024). [Report 2024: Insights on implementation, measurement, and nature](#). Circular Cities Declaration, online.





It focuses almost exclusively on waste and recycling

From the call for evidence, **it is clear that the CEA mostly focuses on waste and recycling, and overlooks measures to avoid that materials actually become waste.** It addresses e-waste (electronic and electrical equipment), “to ensure its effective collection and recycling and to generate market demand for the secondary critical raw materials they contain”. Though necessary, this leaves out impactful actions at earlier stages of the value chain and of the life cycle of electronic products. It will also aim to “foster the single market for waste, secondary raw materials and their use in products”, including aspects such as the end of waste criteria and EPR schemes, which for the time being remain essentially waste-centric. The overarching target of doubling the CMUR reflects this focus on waste and recycling, as the indicator itself focuses on one aspect of the circular economy, namely the use of recycled materials in production.

This focus on waste and recycling makes it doubtful that the CEA will effectively contribute to reducing material consumption, in a context where our material footprint—the amount of material resources (fossil fuels, minerals, non-metallic minerals and biomass) extracted for goods and services consumed by EU citizens—albeit stable, remains high: our economy is still based on intensive and highly unsustainable material consumption. This will in turn **limit our ability to reap the co-benefits of a circular economy:** the restoration of ecosystems and biodiversity, **as well as the two pillars of EU policy that are decarbonisation and economic security.** Resource extraction and processing is responsible for up to 55% of GHG emissions globally⁶, while emissions from landfills “only” make up for 3% of total emissions⁷. This quick yet imperfect comparison shows how a focus on waste and recycling reduces the decarbonisation potential of the circular economy. In addition, overlooking material consumption reduction limits the potential for improving the EU economic security. With growing competition for critical resources, of increasing scarcity and extraction costs, reducing material consumption could reduce Europe’s reliance on other regions and could improve the bloc’s resilience, while reducing environmental and social impact elsewhere.

It fails to adequately involve cities and regions

From the call for evidence, we understand that the upcoming CEA will be a “market act” that will benefit the recycling industry, while **key actors that are cities and regions aren’t adequately involved.** The European Committee of the Regions (CoR) estimates that cities and regions are responsible for implementing around 70% of EU policies, half of overall public investment and a third of public expenditure⁸. They have control over sectors that are strategic for the circular economy, including but not limited to the built environment, urban mobility, and waste and water management. Not considering the lessons learnt by cities and regions on circular economy will diminish the ambition of the CEA, while not involving them in policy making will endanger the very feasibility of the Act. Last but not least, cities and regions are also the most trusted levels of government, a prerequisite as the circular transition represents no less than a paradigm shift⁹.

Additionally, we should remember that the circular economy is about closing, slowing and narrowing material loops. It is about changing the very fabric and materiality of our society, which is inherently

⁶ United Nations Environment Programme (2024): Global Resources Outlook 2024 Summary for Policymakers: Bend the Trend – Pathways to a liveable planet as resource use spikes. International Resource Panel. Nairobi. <https://wedocs.unep.org/20.500.11822/44902>

⁷ Ge, M., Friedrich, J., and Vigna, L. (Dec 2024). [Where Do Emissions Come From? 4 Charts Explain Greenhouse Gas Emissions by Sector](#). The World Resources Institute website.

⁸ European Committee of the Regions (2024): [EU annual report 2024, The state of regions and cities, Brussels](#). October 2024. 15.

⁹ European Committee of the Regions (2025): [EU annual report 2025, The state of regions and cities, Brussels](#). October 2025. 5.





place-dependent. Each city and region has its own economic, industrial and social value chains¹⁰. They all sit on different material stocks, with different material streams flowing in and out of their boundaries. Port cities, industrial towns, agricultural regions, tourist destinations, all have a distinct material identity. That is why there is no one-size-fits-all circular economy but a wide variety of strategies and solutions that reflect and accommodate these material identities. **Only a place-based approach to the circular economy will succeed, making it necessary to not only involve cities and regions, but also allow for greater flexibility and decentralised action.**

Cities and regions are at the heart of the circular economy

Before elaborating our policy recommendations, we will demonstrate that cities and regions are at the heart of the circular transition. Firstly, they play an essential role in supporting local businesses and developing circular ecosystems. Secondly, they drive the implementation of the circular economy through their core competences.

Cities and regions play an essential role in supporting local businesses and developing circular ecosystems

The Clean Industrial Deal has two main priorities: increasing EU competitiveness and advancing decarbonisation, with a focus on supporting energy-intensive industries and the clean tech sector. This is precisely something that cities and regions have been doing for several years. **Examples abound of local and regional authorities fostering circular entrepreneurship and supporting their circular businesses.** For instance, the city of Ghent sponsors two incubation programs for circular entrepreneurship: [Circuit Circulair](#) and the [Circular Kickstart](#), notably providing a “starter-subsidy” and tailored assistance to all starters. Rotterdam provides local start-ups, scale-ups and SMEs with [information and funding](#) for innovation. Support also includes the provision of land and premises, as in the case of [Pôle R](#) in Grenoble, as well as financing, such as [KlimUp](#) in Zurich, which funds early-stage start-ups to foster intelligent use of resources. These actions are often carried out in parallel and combined to support the development of entire ecosystems and the creation of new value chains, like chain financing services offered by [Amsterdam Circular](#) to fund multiple chain partners and suppliers all at once.

Cities and regions also support the transition of mature industries and businesses, as these remain crucial to local and regional economies. Through the [Resource Hub](#) and [KEK Berlin](#), Malmö and Berlin provide dedicated coaching to local businesses to improve their resource efficiency, while the Metropole of Lyon provides seed funding for impact manufacturing through its [Fonds d'amorçage industriel métropolitain](#). Support to existing industries also includes industrial symbiosis, through which local administrations facilitate connections between different industries, enabling them to use each other's waste and by-products. This reduces costs and firmly anchors industrial actors to their territories, as exemplified by the [Port of Amsterdam](#). **These few examples illustrate how essential are cities and regions in the transition to circularity of local and regional economies, as well as the importance of place-based approaches in the wider competitiveness agenda.**

Cities and regions are also *doers*, implementing and investing in the circular economy

Cities and regions are not merely facilitators or supporters; they are also doers, actively investing in and implementing the circular economy. Valuable resources such as food, construction materials, nutrients, and water continuously flow in and out of urban and regional systems. **Through their core competences in waste and water management, economic development, public works,**

¹⁰ Ibid. 19.





and spatial planning, cities and regions have the ability to close, slow, and narrow material loops. As waste management authorities, cities have implemented separate collection and treatment for an expanding range of waste fractions. [De HER | Rotterdam Circulair](#) is one of Europe's most circular municipal recycling centres, from the building itself to the processes of collection and distribution of secondary materials, and entrepreneurship around re-use. In relation to bio-waste, Budapest has set up community compost schemes to regenerate urban soil, while [Mikkeli](#) uses biogas from its municipal digester to propel the local bus fleet. Other cities like [Turku](#) or [Malmö](#) have invested into cutting edge recycling technology with the development of facilities to valorise textile waste. In charge of wastewater management, cities implement innovative approaches to reduce water consumption and encourage reuse, such as [La Axarquía](#), or [Paris](#), which has implemented separate collection of urine in a new neighborhood to turn recovered nitrogen into fertilizer. In charge of public work, Apeldoorn or Utrecht reuse materials [like pavers](#) or [recycle asphalt](#) in their road work, while other cities show the example by integrating circularity principles into their own buildings, such as Riga with its [Circular Economy Centre](#). Through their spatial planning competences, cities such as [Est Ensemble](#) promote and mandate circularity in the built environment. Like [Roubaix](#)' material bank or [Brussels Capital Region](#)'s digital platform, they develop the necessary infrastructure to make it possible to reuse construction materials. As public buyers, cities reduce their material footprint and stimulate demand for circular goods and services, such as [Torres Vedras](#) for school food or [Niort](#) for office furniture. Regions like [Mazovia](#) or [Capital Region of Denmark](#) are being equally active in making the circular economy a reality, respectively in sectors like the bioeconomy or sustainable construction.

These few examples illustrate how cities and regions are *doers*, implementing and investing into vast action programmes to close, slow and narrow material loops at the local and regional level.

Accelerate the circular economy for a prosperous and competitive Europe

This section provides nine policy recommendations to address the limitations of the CEA. These recommendations draw upon *Accelerate the circular economy for a prosperous and competitive Europe*¹¹, a policy brief developed by the Circular Cities Frontrunner Group, an informal group set up by the city of Amsterdam, with the support of ICLEI Europe and the Ellen MacArthur Foundation. It brings together Amsterdam, Copenhagen, Leuven, Malmö, Milan, Porto, Rotterdam, Turku, Utrecht, Vitoria-Gasteiz and Växjö—all committed to accelerating the transition to a circular economy. **This policy brief builds on their challenges and best practices** and follows an [open letter](#) that was shared with newly elected MEPs and the European Commission in October 2024.

1. Leverage circular economy to cut consumption-based emissions

In the face of increased energy prices and global competition, the Clean Industrial Deal aims to turn decarbonisation into a driver of growth for European industries. However, to fully realise this potential, EU policy needs to evolve to take a more comprehensive view—one that includes our growing consumption-based emissions¹² driven by international trade. By broadening the focus beyond domestic emissions alone, we can ensure that climate action truly reflects our environmental impact, while also strengthening local economies. **Forward-thinking cities like [Amsterdam](#), [Malmö](#), and [Copenhagen](#)—all Mission cities—are already leading the way by integrating consumption-based emissions into their strategies.** Their efforts show how a more holistic

¹¹ Circular Cities Frontrunner Group (2025). Policy brief: [Accelerate the circular economy for a prosperous and competitive Europe](#). Openresearch.amsterdam.

¹² NetZeroCities (2024): [Scope 3 Emissions for cities, Current landscape](#). NetZeroCities SGA2-NZC.





approach can unlock new opportunities for innovation, job creation, and sustainable growth across Europe.

Our recommendations to the European Commission:

- ⇒ **Assess the mitigation potential of measures announced as part of the CEA**, also considering consumption-based emissions.
- ⇒ **Fully integrate consumption-based emissions and circular economy into EU climate policy**, considering national and subnational levels, including via the Cities Mission and the Covenant of Mayors.
- ⇒ **Establish standardised methods for measuring consumption-based emissions**, particularly at city level and provide guidance and build capacity for monitoring and mitigating consumption-based emissions in cities.

2. Reduce material consumption to enhance Europe's economic security

Circular economy policy remained focused on waste. In a context where our economy is still based on intensive and highly unsustainable material consumption, reducing material consumption should be the ultimate goal of a circular economy. By working towards this goal, it will be possible to harness co-benefits like decarbonisation, reversing biodiversity loss, and the elimination of pollution, in turn leading to **major public-health benefits**.

Reducing material consumption and scaling secondary materials will also strengthen Europe's **economic security**, a key objective of the Clean Industrial Deal. In a context of growing competition for critical resources, of increasing scarcity and extraction costs, reducing material consumption will reduce Europe's reliance on other regions and will improve the bloc's resilience, while reducing environmental and social impact elsewhere. **Cities like [Amsterdam](#) or [Vitoria-Gasteiz](#) have adopted material consumption reduction targets to drive action into the 'higher Rs'—reduce and reuse.**

Our recommendations to the European Commission:

- ⇒ In the upcoming Circular Economy Act, **respond to the Council conclusions from June 2024 and establish legally binding material footprint reduction targets at the EU level**. Develop sub-targets for specific categories of materials.
- ⇒ **Mandate the development of a standardised EU-wide methodology for assessing material flows and material footprints at the city and product levels to ensure effective target-setting and monitoring progress**. These methodologies should also look at how data collection and management can be standardised at city level.
- ⇒ **Encourage cities to voluntarily assess their own material footprint** and provide direct support and capacity building for cities and their local stakeholders, including knowledge exchange mechanisms.





3. Ensure the transition to a circular economy is just and inclusive, leaving no one behind.

Competitiveness shouldn't be achieved at the expense of the fair and just transition. It is clear to cities that Europe's economic, environmental and social objectives cannot be separated: that is why we stand by the European Alliance for a Just Transition position and its recently released [vision](#). Yet, whether the circular economy has a positive social impact for citizens, communities and cities remains rather underexplored. Beyond job creation, it will be important to assess this social impact. **A growing number of cities, like Amsterdam, monitor a series of social indicators, in this case based on the [City Doughnut](#).**

Additionally, across Europe and value chains, the circular economy has been pioneered by social enterprises—entities that put social and environmental purposes first. More often than not, cities rely on the experience, the expertise and the commitment of social enterprises to close, slow and shorten material loops. Social enterprises additionally play a strong social role, creating jobs, bridging with communities and developing skills through vocational training. This role should be reflected in upcoming EU policy. **Cities like Porto rely on the social economy, for instance to [advance the repair of electronic devices](#).**

Our recommendations to the European Commission:

- ⇒ **Assess and demonstrate the social impact of the circular economy** in order to inform decision making, potentially as part of the announced European Fair Transition and Skills Observatories.
 - Social impact could be assessed looking at key dimensions including but not limited to health and wellbeing, quality job creation, gender or equity.
- ⇒ **Ensure that the circular economy is well integrated into other policies**, such as the upcoming legislation part of the Union of Skills and European Pillar of Social Rights, and establish the circular economy as an enabler for achieving the principles of the European Pillar.
- ⇒ **Recognise the pioneering role played by Social Economy actors:**
 - by making them eligible to support mechanisms for financing (Competitiveness Fund) and capacity building.
 - by associating them closely to the development of upcoming legislation, such as the Union of Skills, the Quality Jobs Roadmap, the European Skills Guarantee, or the Circular Economy Act.

4. Ensure a multilevel governance approach in policy development and implementation

Cities and regions are at the heart of the circular transition and as such they should be involved in policy-making. Firstly, as implementers they can improve the feasibility of the Circular Economy Act, strengthen its territorial dimensions, and direct the effort towards the most impactful measures. Secondly, as frontrunners they have a lot to share in terms of experience and best practices, which should be taken into account when developing the new Act.





Beyond the Circular Economy Act, **the success of the Clean Industrial Deal will depend on how it is translated and implemented at the local and regional level**¹³. Sound multilevel governance structures to align policies at all levels of government are needed. At national level it will be paramount for cities to be associated with the development of national plans, while for cities and regions it will be crucial to work hand in hand and develop joint territorial strategies.

Our recommendations to the European Commission:

- ⇒ **Improve multilevel governance structures to align policy implementation across the EU, national, regional and local levels.** This should include formal representation in legislative discussions, funding for local pilot projects, and mechanisms to assess policy feasibility at the local or regional level.
 - Set up a dedicated dialogue with cities and regions representatives to ensure that CEA is practical and responsive to local needs.
- ⇒ **Promote and support integrated territorial strategies between cities, regions and national governments as well as cross border cooperation,** through INTERREG programs and the announced Trans-Regional Circularity Hubs.
- ⇒ In the future MFF, **involve cities and regions in the development of the National and Regional Partnership Plans** and ensure that targets set are realistic and achievable.

5. Shift funding from piloting towards scaling-up

Piloting is key, however without upscaling the circular transition won't happen. Several cities struggled to scale up or even continue pilot projects due to a lack of long-term funding, or a lack of funding to cover crucial dimensions such as operations or end of life—all excluded from Horizon Europe. Cities report challenges in accessing national or EU funds, either because these funds are controlled at higher levels of government or because circular economy initiatives are not sufficiently prioritised within many national and regional funding frameworks.

True multilevel governance, in other terms the mainstreaming of partnership principle across all EU funds, as well as better coordination with research and innovation programmes would greatly support the upscaling of the circular economy in cities.¹⁴

Our recommendations to the European Commission:

- ⇒ **In the current MFF, make CE a priority across all funding schemes, from Horizon Europe to Cohesion Policy.** Horizon Europe (including CCRI) has been instrumental for the circular economy at the local level. Aligning other funding schemes—especially Cohesion Policy funds—to the same priorities would greatly support the transition.

¹³ The potential of cities (and regions) is captured in ESPON (2019), [CIRCTER – Circular Economy and Territorial Consequences, Final Report](#).

¹⁴ European Court of Auditors, [Special report Synergies between Horizon 2020 and European Structural and Investment Funds, Not yet used to full potential](#)





- **Finance upscaling of CE through Cohesion Policy funds.** In a context where cities lack resources to continue and scale up projects, this would allow them to do so.
- **Transfer knowledge from HE test projects to structural funds scale up:** the tremendous amount of knowledge and best practices developed through HE (including CCRI) could be collated and curated and be made available as a catalogue of best practices that can be financed under structural funds.
- ⇒ In the future MFF, **ensure that cities and regions are recognised as key actors in future Horizon Europe and Competitiveness Fund calls** in relation to their circular economy scale up projects. The upcoming Competitiveness Fund and Horizon Europe has a potential to continue supporting city led action but as the local level is not recognised as a beneficiary, it will depend on annual working programme design. To ensure effective business-city collaboration for the circular economy, the upcoming funds should finance building local circular ecosystems and develop connections between local and regional businesses.
- ⇒ In the future MFF, **ensure that the circular economy—which puts the emphasis on reducing material consumption and not just on recycling—is firmly embedded into National and Regional Partnership Plans**, with clear targets and with a clear contribution towards EU priorities.
- ⇒ In the future MFF, **ensure that circular economy constitutes one of the future ‘thematic boards’ of the Cities platform and a cross-cutting priority to all future integrated missions.**

6. Build capacity in cities to support circular economy implementation

Beyond funding, cities and regions need guidance for embedding circular economy within their strategic documents and integrated planning. They need help for navigating a complicated and changing regulatory landscape. They need support and guidance to overcome governance and organizational challenges, internally as well as in relation with other levels of government. They need advice for engaging with local stakeholders and for supporting their local circular businesses. Local and regional governments can also help pilot digital product and material passports and interoperable data systems that support the CEA's digitalisation goals. **Support, advisory services, and capacity-building provided by various schemes have proven extremely useful to beneficiaries. Now it is time to bring them to scale and reach a wider audience.**

Support for monitoring progress, assessing the impact and evaluating their policies is also crucial. Across Europe, cities struggle to identify standardised indicators to measure circular economy progress beyond waste management. This challenge is exacerbated by a lack of local-level data, misalignment with EU-wide monitoring frameworks, and limited technical capacity for data collection and analysis. Data is key, but most data isn't available at the local level, while cities don't necessarily have the capacity to collect it and exploit it.

Our recommendations to the European Commission:





- ⇒ In the current MFF, **expand the Circular Cities and Regions Initiatives and increase the number of cities and regions supported by the CCRI, to target the 'beginners'.**
- ⇒ In the current MFF, **demonstrate the co-benefits of circular economy, ensure it is integrated into all support schemes available to cities** (incl. but not limited to the Cities Mission, the New European Bauhaus, the Covenant of Mayors, or the European Urban Initiative), **and strengthen the collaboration between these schemes and the CCRI, so that dedicated CCRI services can be plugged into other schemes to achieve these co-benefits.**
- ⇒ In the future MFF, **embed the circular economy as a cross-cutting priority in all support, advisory and capacity building offered to cities and regions and make them accessible to smaller cities.**
- ⇒ In the future MFF, **develop a standardised EU framework for local circular economy data collection, aligned with the EU Data Strategy and Circular Economy Monitoring Framework.** Support pilots with cities and regions to test practical, low-burden local indicators aligned with the EU Circular Economy Monitoring Framework.

7. Build the case to reform the linear tax system.

Fiscal measures can be adopted to support establishing a level playing field for circular materials and businesses, including higher taxes for virgin materials, or tax reductions and incentives for secondary raw materials. As such we welcome the announced review of the rules on the second-hand scheme contained in the Value-Added Tax (VAT) Directive which aligns with the EU's broader efforts to promote circular business models under the Green Deal and Circular Economy Action Plan.

Beyond VAT or environmental taxation, a broader shift is needed for the tax system to truly support the circular transition. That is why we support the Ex'Tax Project, which produced a [roadmap with 20 measures](#) to shift the tax burden away from labour towards pollution and resource use. We acknowledge that taxation is a prerogative of the Member States, but the EU nevertheless has a crucial role to play to promote and coordinate the transition to a circular tax system, including avoiding any first-mover disadvantage for Member States introducing fiscal reforms.

Our recommendations to the European Commission:

- ⇒ **Include all secondary materials that have been repaired, remanufactured or recycled in the review of the second-hand scheme of the VAT Directive and ensure that these tax exemptions or reductions will be sufficient to establish a level playing field with virgin materials.** Ensure that new VAT rates are aligned with the waste hierarchy in order to promote the most circular behaviours and business models.
- ⇒ **Consider recommendations from Ex'Tax** and promote a budget-neutral tax shift towards taxing environmental impact and lowering the tax burden on labour.





8. Leverage public procurement to provide a launch market for circular businesses.

Given the CEA's aim to set targeted, implementable procurement criteria, cities are key to generating early market demand for circular products and services. With public procurement accounting for 15% of the EU's GDP, it is a crucial lever for change. Strategic Public Procurement (SPP) can drive circular innovation in material choices, business models and infrastructure development. Used effectively, it can deliver financial savings over the full life-cycle of a contract, and crucially achieve positive social and environmental outcomes.

Public procurement directives play a crucial role in accelerating the transition to a circular economy by shaping market demand for sustainable products, services, and infrastructure. A revision of these directives presents an opportunity to embed stronger circularity requirements, ensuring that sustainability and resource efficiency take precedence over cost alone. Key updates could include mandating in certain product sectors procurement decisions that have significant environmental impacts, setting minimum thresholds for the use of secondary materials, and simplifying procedures to enable innovation and launch a market for circular businesses.

Our recommendations to the European Commission:

- ⇒ **Develop the minimum circularity requirements in public tenders for key product groups** — such as construction materials, ICT equipment, furniture, and textiles — focusing on circular design, recycled content, reparability, modularity, and take-back obligations. This could build on the Ecodesign for Sustainable Products Regulation (ESPR) and ensure that public procurement becomes a primary driver of circular product markets.
- ⇒ Strengthen engagement with contracting authorities to embed circularity in public procurement and **improve the monitoring of the circular impact of public procurement**. This should involve assessing both quantitative and qualitative evidence on the impact of circular procurement practices, including through the European Public Procurement Data Space, such as prioritising secondary materials, extending product lifespans, and integrating life-cycle costing approaches.
- ⇒ Facilitate **dedicated pilots and regulatory sandboxes to test circular procurement models** (e.g. outcome-based or performance-based contracts, joint cross-border procurements, and framework agreements incorporating reuse or take-back clauses) and generate first-hand evidence on the effectiveness of circularity-driven regulatory changes.
- ⇒ **Ensure that concepts such as Most Economically Advantageous Tender (MEAT), life-cycle costing, ecolabels, and sustainability criteria explicitly promote circularity.**
- ⇒ **Enhance pre-procurement activities to stimulate circular innovation:** Articles 40 and 41 of Public Procurement Directive 2014/24/EU should be revised to explicitly promote circularity considerations in pre-procurement activities, including needs assessments and market engagement. Market engagement should be made mandatory for high-value or strategic tenders, requiring the inclusion of environmental and circular economy criteria in market consultations. Contracting authorities should be encouraged to use market dialogues to evaluate the readiness of suppliers to deliver circular solutions, assess skills gaps in the market, and promote relevant upskilling and training programs for circular innovation.





- ⇒ **Establish structured city–business dialogues to accelerate circular market development.** The Commission should support structured city–business dialogues to bridge the gap between public demand and private sector supply in key circular value chains. These dialogues should bring together local and regional governments, SMEs, industry associations, and financial actors to co-design solutions that align public procurement needs with market capabilities.
 - Pilot dialogues could focus on high-impact sectors such as construction, electronics, textiles, and packaging, helping cities to communicate upcoming procurement priorities and enabling suppliers to adapt their offerings in advance.
- ⇒ **Introduce clear conditionality provisions in EU funding instruments** (e.g. Cohesion Funds, Recovery and Resilience Facility) that require the application of SPP criteria, prioritising the use of secondary materials, waste reduction, and resource efficiency, as a precondition for receiving funds.
- ⇒ In the future MFF, **facilitate cooperation between cities and regions wishing to jointly procure key assets through common procurement systems through the future Cities platform, make circular economy** (aligned with the 9 Rs hierarchy) one of the destination of these joint procurement actions, and embed circular economy criteria in tenders related to other strategic investments (e.g. housing, energy production...).

9. Send clear signals to de-risk private investment.

Across cities, well-conceived, local projects struggle to access private investment to scale up. Reasons vary, from the limited profitability of truly circular business models to the difficulty of demonstrating circular impacts. **Mobilising private finance will be critical to mainstream the circular economy.**

Moreover, public funding is essential to de-risk and crowd in private investment in emerging sectors like the circular economy. **That is why it will be crucial to ensure that the circular economy is considered a strategic priority in public funding schemes for startups, scaleups and industries at both EU and Member State levels.**

Our recommendations to the European Commission:

- ⇒ **Make circular economy a priority of the additional financing of InvestEU**, with a focus on projects that go beyond recycling and truly endeavour to reduce material footprints of goods and services produced. In the future MFF, make the circular economy a priority of the future Competitiveness Fund, with a similar focus.

ICLEI Europe and its member cities remain committed to collaborating with the European Commission to develop an ambitious and implementable Circular Economy Act.

Any questions?

For any further discussion on the points raised in this paper, please contact us at simon.gresset@iclei.org and goksen.sahin@iclei.org.

