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Delegations will find attached document COM(2025) 805 final.

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Brussels, 23.12.2025  
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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Accelerating Europe's transition to a circular economy: a pilot for boosting the  
circularity of plastics**

# Accelerating Europe's transition to a circular economy: a pilot for boosting the circularity of plastics

## 1. Introduction

The circular economy is a key enabler for Europe's environment and climate ambitions and is essential to its economic security, resilience and competitiveness. As highlighted in the Draghi Report, boosting circularity across key sectors could unlock enormous value — enhance resource efficiency, reduce dependency on raw-material imports, and strengthen the EU's industrial base. Every tonne of raw materials we save, and every product or material we re-use or recycle, strengthens Europe's economic resilience, enhances industrial competitiveness, and reduces emissions and environmental impacts. Evidence of this strategic potential is clear: deploying circular solutions across Europe's energy-intensive sectors could, by 2050, increase EU's trade surplus by 4%, cut lifecycle greenhouse gas emissions associated with the energy intensive sectors' production by an equivalent of 200 Mt CO<sub>2</sub> by 2050, strongly reducing also emissions in the incineration sector, and significantly reducing our demand for metal ores, electricity and fossil fuels <sup>(1)</sup>. **The circular economy also represents a major business opportunity for the EU** <sup>(2)</sup>. Circular-economy sectors already generate around EUR 316 billion in gross value added annually and invest approximately EUR 131 billion <sup>(3)</sup> and employ 4.3 million people, with strong growth potential towards 2030.

Yet, despite these opportunities, **progress towards a truly circular economy remains too slow**. The EU is still far from achieving its ambition to double Europe's circularity rate to 24% by 2030: from 2010 to 2024, the share of recycled materials in the economy increased only slightly from 10.7% to 12.2% <sup>(4)</sup>. Without stronger and more coordinated action, the objectives of the Competitiveness Compass, the Clean Industrial Deal and RESourceEU cannot be fully realised.

**To accelerate progress, the Commission will propose a Circular Economy Act in 2026** to address **structural barriers, create a Single Market for waste and secondary raw materials**, and **foster demand** for circular products, services and solutions. Each material stream faces specific barriers that must be addressed through tailored measures. We need **coordinated action** at local, national and EU levels to remove those barriers and unleash the full potential of the circular economy.

However, pressures on certain sectors are already acute. This communication therefore presents a first pilot towards the Circular Economy Act, focusing on short term measures to support circularity in the plastics sector. These measures represent a concrete step towards a more integrated market for plastics, aim to ensure that European recyclers can

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<sup>(1)</sup> JRC (2025). Capturing the Potential of the Circular Economy Transition in Energy-Intensive Industries. The four energy intensive industries studied in this report are steel, aluminium, cement and plastics. The assessment is based on life cycle emissions of products produced by these sectors, thus including emissions upstream and downstream from the energy intensive sectors themselves, including avoided incineration emissions at end of life.

<sup>(2)</sup> For example, the European remanufacturing market is projected to grow from its current value of EUR 31 billion to EUR 100 billion by 2030, creating 500 000 new jobs.

<sup>(3)</sup> Source: Eurostat (online data codes: [cei\\_cie012](#), [cei\\_cie011](#)).

<sup>(4)</sup> Source: Eurostat (online data code [cei\\_srm030](#)).

play their role in scaling up recycling under conditions of regulatory certainty and a level playing field, and seek to stimulate innovation and investment.

Our actions are complementary to the Commission's recent Bioeconomy Strategy and to RESourceEU, which together contribute to strengthening circularity, resilience and competitiveness across key value chains.

### **Securing a competitive circular plastics sector in the EU**

**Plastics are crucial for many sectors:** packaging, construction, automotive, electronics, healthcare and more. The use of plastics in a broad range of products has brought economic benefits but has also led to significant waste generation: of the approximately 58 million tonnes produced in the EU, only half is collected and sorted, and only around 13% is recycled into new plastics <sup>(5)</sup>. Losses and littering occurring along the plastics value chain, together with shortcomings in waste management, continue to constrain the untapped potential of plastics by diverting material flows that could otherwise be effectively collected, managed and recycled.<sup>4</sup>

**The circular economy represents a major opportunity for the plastics sector.** Circular solutions could reduce emissions across the plastics value chain by around 80 Mt of CO<sub>2</sub> equivalent sector's energy use, thereby contributing significantly to the EU's environmental objectives. Circular solutions could also improve the sector's trade balance by EUR 18 billion per year by 2050 <sup>(6)</sup>. **Recent legislative measures, such as the Packaging and Packaging Waste Regulation and the Single Use Plastics Directive, will contribute to significantly strengthen demand** and support the business case for circularity in the plastics sector going forward. In addition, following the provisional agreement, the Commission calls on the co-legislators to finalise as soon as possible the legislative process for the adoption of the proposal for a Regulation on circularity requirement for vehicle design and on management of end-of-life vehicles which, notably through the new targets on the inclusion of recycled plastic in new vehicles, will further accelerate demand for European recycled plastics.

**However, at this very moment the plastic recycling industry is facing significant challenges which risk undermining its ability to leverage the expected increase in demand for recycling and circular plastics.** The recycling sector is facing high energy costs, low and unpredictable prices for virgin plastic (linked to oil prices) and competition from imports of cheap plastics (often virgin plastics wrongly claimed to be recycled) driven by overcapacity in other regions and by lack of demand for recycled plastics. These pressures have resulted in reduced capacity utilisation, significant financial losses and, in some cases, bankruptcies among EU plastics recyclers. While the EU's installed plastics recycling capacity reached 13.2 million tonnes in 2023, following growth rates of 17% in 2021 and 10% 2022, growth slowed to 6% in 2023 **and is expected to turn into a net decrease of around one million tonnes capacity by the end of 2025.** This is an amount equivalent to the recycling capacity of France. This capacity reduction poses challenges not only from an environmental compliance perspective, but also for industrial competitiveness, economic growth and job retention. It is particularly concerning at a time when the EU will need to process its own rapidly growing volume of plastic waste due to

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<sup>(5)</sup> [JRC Publications Repository - Plastics materials flows in the EU-27 and their environmental impacts](#)

<sup>(6)</sup> JRC (2025). Capturing the Potential of the Circular Economy Transition in Energy-Intensive Industries.

the entry into force of the ban on EU plastic waste export to non-OECD countries under the EU waste shipment rules.

To reverse this trend, **urgent action is needed at EU and Member State level to facilitate recycling and the uptake of recycled materials** and promote innovation, including in recyclable bio-based plastics <sup>(7)</sup>. Against this background, the EU is advancing a set of concrete short-term measures to address key barriers, notably market fragmentation, unfair competition and the broader need to ensure a level playing field across the sector within the single market.

### ***Overcoming market fragmentation***

The absence of Union-wide harmonised and predictable rules for the free movement of recycled plastics has led to a fragmented market. This fragmentation is further aggravated by weak demand for recycled materials, driven by concerns over quality and safety including the precedence of legacy substances and by the lack of a genuinely integrated Single Market for recycled plastics.

The measures presented today will contribute to a **more integrated market for plastics**.

First, the Commission presents an implementing act under the Waste Framework Directive to **create a single market for recycled plastics through Union-wide end-of-waste criteria for mechanically recycled plastics, thereby creating the conditions for a Single Market for plastic waste**. Once adopted, the new rules will allow recycled plastics to no longer be classified as waste and to circulate more easily across all 27 Member States subject to harmonised criteria applicable throughout the Union. These measures aim to facilitate the use of recycled plastics in manufacturing, reduce administrative burden for recyclers, notably for SMEs, and support a more stable supply of high-quality recyclates across the Union. According to industry estimates, the absence of Union-wide end-of-waste criteria for plastics results in additional costs of around EUR 120 million per year for the EU plastics recycling sector or approximately EUR 260 000 per recycler on average.

Second, we aim to **provide greater legal certainty for chemical recycling investments** in the European Union by proposing the first-ever ‘mass balance allocation rules’. These rules will determine the share of chemical recycling outputs that can count towards recycled content objectives. This first set of rules concern the implementation of recycled content targets under the Single Use Plastics Directive, namely 25% recycled content in PET bottles by 2025 and 30% in all beverage bottles by 2030. **Harmonised rules for the calculation, verification and reporting of chemically recycled plastic content under the Single Use Plastics Directive (PET bottles)** allow for chemical recyclates to be counted towards the targets and recognises the role of chemical recycling in complementing mechanical recycling within the circular plastics value chain. These rules will help unlock investment: the European plastics industry is planning investments of up to 8 billion in chemical recycling in the coming years but has called for a conducive regulatory framework to ensure they succeed.

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<sup>(7)</sup> In line with the 2025 EU Bioeconomy Strategy.

Measures	Timeline
<b>Set the rules for chemically recycled plastic content under the Single Use Plastics Directive (PET bottles)</b> - transmission to Member States for vote	Presented with this Communication
<b>Finalise the work on Union-wide end-of-waste criteria for plastics</b> with the launch of the public feedback process for the implementing act laying down Union-wide end-of-waste criteria for plastics	Launched with this Communication

### *Relaunching the Circular Plastics Alliance to identify shared priority actions*

The Circular Plastics Alliance (CPA), launched in December 2018 under the European Strategy for Plastics, brings together key industry stakeholders from across the plastics value chain – from waste collectors to recyclers and primary producers to converters, brand owners and retailers. Pursuant to the pledge to achieve 10 million tonnes of recycled plastics used in new products by 2025, the CPA has mobilised the plastics value chain and delivered progress across several critical areas, including contributing to the design for recycling standardisation request and improving the monitoring of recycled plastics flows.

To build on these results and further accelerate the competitive circularity of EU plastics while facing new challenges, closer cooperation between the Alliance, Member States and the Commission will be essential.

Therefore, the Commission **will re-launch and strengthen the Circular Plastics Alliance** to jointly identify, discuss and address the key challenges facing the European plastics sector with industry stakeholders and Member States. The revamped Alliance will serve as a robust platform to address the unprecedented crisis in the sector.

To this end, the Commission will propose a joint workplan for the Alliance for 2026, focusing on a set of urgent deliverables. In particular, the work of the CPA will support the structuring and prioritising of the work streams presented in the following section of this communication. This will include an industry-led analysis of the current situation of the plastics industry in the EU to identify the key challenges to be addressed, supported by the Commission and in compliance with competition rules (8). The analysis will among other things underpin the identification of priority areas for potential future trade investigations, when the necessary conditions are met. Other deliverables to be proposed to the Alliance will provide a basis for the prioritisation of market surveillance activities or the stimulation of market demand and the development of customs codes for recycled polymers.

As a starting point, the Commission will organise **a high-level dialogue on the competitive circularity of plastics** to prepare the ground for the future work of the Circular Plastics Alliance.

Measures	Timeline
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(<sup>8</sup>) <https://ec.europa.eu/docsroom/documents/44544>

Re-launch of the <b>Circular Plastics Alliance</b> , agree on a work programme for 2026 and organise a <b>high-level dialogue on the circularity of plastics involving Member States</b>	Q1 2026
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### *A fairer market*

Existing legally binding targets for recycled plastic content of products in the EU, from single-use plastic bottles to packaging, ensure increased circularity and thereby are creating a strong incentive for investments in the plastic value chain and contributing to better environmental protection. They create a **business case** for recycled plastics produced in the EU. However, experience has shown that earlier efforts to create a market for recycled plastics in the EU have also encouraged the import of feedstock and finished products. EU-based plastic recyclers report that even virgin plastics are being sold as ‘recycled’ in order to benefit from the pull effect of the EU’s targets, often at lower prices than EU-produced equivalents. There is thus an urgent need to ensure a **level-playing field** and avoid that EU recyclers and producers are being undercut by unfair trade competition.

The Commission is fully committed to protecting the plastics industry from unfair and harmful import competition. The Commission conducts trade defence investigations where it receives evidence from any affected EU industry of injury suffered from dumped and/or subsidised imports. To date, the Commission has already imposed 6 trade defence measures on products related to the plastics industry. Specifically on PET, we have anti-dumping measures in place against China, and anti-subsidy duties on India, covering both recycled and virgin PET. Additional investigations are currently ongoing, covering a broad range of plastic-related products.

In addition, **the Commission will monitor imports of plastic both under its newly created Import Surveillance Task Force** and through the dedicated monitoring system introduced in March 2025 for certain industrial chemicals. The Commission calls on EU producers and associations to review the results and provide further market intelligence and data on the economic situation facing the industry that will help the Commission introduce protective measures where appropriate, notably with the backing of the Circular Plastics Alliance. The Commission stands ready to initiate trade defence investigations on the basis of well substantiated requests where harmful import surges are identified.

The Commission will also **take measures to help the uniform application and support enforcement by the customs and national market surveillance authorities** to level the playing field between EU-made and imported plastics. The current **customs codes** do not differentiate virgin plastics from recycled products and are not detailed enough to properly monitor imports of plastic materials, goods and waste. This significantly hampers the ability of authorities and market operators to distinguish imports of recycled materials from virgin plastics.

For food contact materials, which include key market segments for recycled plastics such as PET bottles, the **forthcoming amendment of Commission Regulation (EU) 2022/1616 on recycled plastic materials** and articles intended for food contact, intends to introduce **stricter compliance documentation** requirements for recycled plastics imported into the EU, that would, once adopted, provide a basis for the creation of specific customs codes for recyclates, to facilitate controls of imports. This amendment will provide legal certainty to recyclers and producers of food contact materials and create a level playing field for domestically produced and imported materials.

**The Commission will also work towards creating separate customs codes for recycled polymers** relevant for other sectors. This will improve the monitoring of such materials entering the Union and support customs authorities in verifying compliance with EU rules for their release into free circulation. **Additional actions will support the practical enforcement of EU rules for plastics imports, as part of the upcoming import control mechanism.** The introduction of stricter compliance documentation requirements in Commission Regulation (EU) 2022/1616 on recycled plastic materials and articles intended for food contact will further guarantee the same level of compliance of recycled plastic for food contact imported to the EU or produced in the EU and create a level playing field as regards imported material. **The Commission will conduct audits on the enforcement of recycling installations operating outside the EU** and support control laboratories in the deployment of new analytical methods to verify whether consignments declared as recycled PET are indeed recycled from plastic waste <sup>(9)</sup>. A TAIEX-EIR PEER 2 PEER tool will be deployed to train the competent custom control laboratories.

These import measures will complement the new regime which will start to apply in 2026 for the export of plastic waste. From November 2026, exports of plastic waste to non-OECD countries will be banned in order to prevent the export of plastic pollution to countries more likely to face environmental and human health risks related to waste management. In parallel, the Commission will monitor the export of plastic waste to OECD countries, and will assess, in line with the Waste Shipment Regulation, by Q2 of 2026 whether such waste is managed sustainably, with particular attention to OECD countries importing significant volumes of plastic waste from the Union.

Measures	Timeline
Amendment of <b>Regulation (EU) 2022/1616 on recycled plastics for food contact.</b>	Q2 2026
<b>Launching the request to create separate custom codes based on the amendment of Regulation 2022/1616 and work towards creating additional separate customs codes for other recycled polymers.</b>	Q2 2026
<b>Carry out dedicated audits for food contact materials including PET</b>	2026
Support control laboratories and organise a <b>TAIEX seminar</b> to enable the national market surveillance authorities fulfil their control function	Q1 2026
<b>Assessment</b> to determine the need for additional measures to ensure a <b>level playing field</b> for the EU plastics value chain	Throughout 2026

## **2. Boosting investment and innovation**

**Investment is key to accelerate the circular economy.** The Commission together with the European Investment Bank estimate the **annual investment gap in the EU for the circular economy at EUR 82 billion**. Currently, around 7% of financing for the circular economy comes from the public sector. While the proposed multi-annual financial framework provides important tools to boost investments, including under the National

<sup>(9)</sup> For instance, the National Technical Center for Plastics and Composites Industries, tasked and financed by the French Ministry of Economy, developed a protocol to distinguish virgin from recycled PET (DISTINGO); a LIFE grant could be sought by stakeholders or a consortium of laboratories to roll out such protocols to the EU customs laboratories and to develop such analytics for other polymers.

and Regional Partnership Plans, the bulk of financing will need to come from private sources. To this end, all tools to leverage private investment need to be deployed, including, where necessary, incentives or complements to public funds. Key value chains requiring significant additional investment compared to current levels are construction (EUR 18 billion/year), vehicles and batteries (EUR 10 billion/year), electronics and ICT (EUR 5 billion/year), and textiles (EUR 5 billion/year).

To boost investment, innovation, and circularity, the Commission will **develop a pilot under the Competitiveness Coordination Tool focused on Trans-Regional Circularity Hubs**. In line with the Clean Industrial Deal, the pilot aims to strengthen EU's competitiveness and resilience while supporting environmental objectives. It will leverage synergies and economies of scale in recycling and other circular technologies and practices, reinforcing the business case for circularity by bringing together manufacturers, recyclers and waste operators across strategic value chains. By securing the availability of supply of secondary raw materials within the EU, the pilot will support strategic downstream industries, reduce dependencies on third countries and contribute to the EU's strategic autonomy. Implementation will combine regulatory measures with investments in industrial capacity that individual Member States may find challenging to deliver alone. Coordinated action is essential to provide investor confidence and enhance the EU's competitiveness in advancing the circular economy, including in sectors that rely on large-scale infrastructure and stable long-term market signals. The pilot will draw on existing industry and inter-regional <sup>(10)</sup> partnerships, mobilise public and private funding and build on existing EU and national legislation. It is also designed to complement the forthcoming Circular Economy Act once adopted.

The **Joint Initiative on Circular Economy (JICE)** launched by the European Investment Bank and several national promotional banks <sup>(11)</sup> in 2019 has accelerated financing of circular economy projects by investing more than EUR 16 billion between 2019 and 2024. Building on this success and in light of the forthcoming efforts required to advance the Union's circular transition, the Commission will cooperate with the European Investment Bank and other JICE members to promote a Team Europe approach in to further accelerate the transition to a circular economy. In addition, as expressed in the EIB Group Climate Bank Roadmap Phase 2 (2026-2030), the EIB will in 2026 reinforce its commitment to the Circular Economy by introducing a dedicated Circular Economy Orientation. More broadly, the EIB Group will step up its support to the circular economy, as a key driver of efficiency, security and growth and a core element of Europe's industrial and agricultural policy.

To bridge the investment gap, increased investment at national and regional level is also indispensable. The **Commission calls on Member States to make full use of the existing possibilities offered**, including by the Clean Industrial Deal State Aid Framework, the Guidelines on State aid for climate, environmental protection and energy and the EU General Block Exemption Regulation. The new Framework for State Aid measures to support the Clean Industrial Deal provides possibilities for Member States to further incentivise private investments by de-risking portfolios of projects related to Clean Industrial Deal objectives, including circular economy projects.

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<sup>(10)</sup> See for instance, the [Thematic Smart Specialisation Platforms for Industrial Modernisation on Chemicals](#) or [Efficient and Sustainable Manufacturing](#).

<sup>(11)</sup> Currently including: Bank Gospodarstwa Krajowego (BGK — Poland), Caisse des Dépôts Group (CDC — France), including Bpifrance, the French national investment bank, Cassa Depositi e Prestiti (CDP — Italy), Instituto de Crédito Oficial (ICO — Spain), KfW (Germany) and InvestNL (Netherlands).

To **better identify investment gaps and opportunities**, the Commission will launch a study aimed to develop targeted macro-economic and macro-financial indicators demonstrating how the circular transition contributes to EU growth and competitiveness. This work will be aligned with ongoing developments in environmental-economic accounting, particularly the integration of circular economy metrics within the System of Environmental-Economic Accounting (SEEA). The results of this work will inform the Commission’s monitoring efforts and bring together all relevant EU and international data providers and partners, including the European Environment Agency, the European Investment Bank, and the OECD, alongside industry, academics and civil society.

Through **Horizon Europe**, the Commission supports research and innovation to advance plastics circularity. Between 2021 and 2024, EUR 115 million were dedicated to improving plastics circularity, delivering innovative solutions such as novel circular food plastic packaging, removal of hazardous substances from post-consumer plastic waste, and new bio-based plastics for different applications. Innovation is stimulated in most major value chains of the plastics sectors, i.e. packaging, construction products and transportation. The most promising solutions will accelerate the EU’s transition to a circular economy and benefit from stronger synergies with both public and private financing to support their scale-up. In addition to these R&I initiatives, the **Innovation Fund** will continue supporting the market deployment of highly innovative solutions. Plastic projects have so far been awarded around EUR 300 million under relevant calls for proposals, significantly improving the circularity of plastic products.

Finally, the proposal for a Regulation on **Accelerating and Streamlining Environmental Assessments** <sup>(12)</sup>, adopted this month, will harmonise, simplify and accelerate permitting procedures for a range of strategic sectors, including projects related to waste prevention, separate collection, re-use, preparing for re-use, and recycling. This reform will enhance regulatory predictability and thereby facilitate investment in high-quality recycling and circularity infrastructure.

These measures complement additional investment and innovation support stemming from the clean transition and decarbonisation window under the future **European Competitiveness Fund**, including circular economy, and additional investment initiatives such as the new **European Research Area Platform action** <sup>(13)</sup>.

Measures	Timeline
Develop a <b>pilot under the Competitiveness Coordination Tool focused on Trans-Regional Circularity Hubs</b> .	Q1 2026
Launching a study to better address targeted macro-economic and macro-financial indicators to showcase the <b>contribution of the circular economy to EU growth and competitiveness</b>	Q1 2026

### 3. Europe’s circular moment

<sup>(12)</sup> See [6f650a70-c4f5-4c79-a8dc-6efaff290494\\_en](https://ec.europa.eu/economy_finance/6f650a70-c4f5-4c79-a8dc-6efaff290494_en)

<sup>(13)</sup> <https://european-research-area.ec.europa.eu/era-actions-2025-2027>

Today's package is a crucial step in that direction building on the important legacy of existing EU actions supporting plastics circularity. It represents the first set of mutually reinforcing circular economy initiatives to be rolled out in 2025 and 2026.

The **Circular Economy Act** will create the single market for waste and secondary raw materials, tackle existing barriers, increase the **supply** of high quality European recyclates, and stimulate **demand** for secondary materials and circular products. Crucially, these efforts will be reinforced by existing policies, including the ongoing implementation of the **EU Ecolabel Regulation** and of the **Ecodesign for Sustainable Product Regulation and its first working plan**. Supported by **Digital Product Passports**, these measures will boost transparency, reduce dependencies on imported raw materials and help European companies to scale circular business models across a harmonised Single Market.

The transition to a circular economy is indispensable for the EU's economic security, competitiveness, resilience and decarbonisation. **Europe now has a unique opportunity to lead the global circular transition.**