

# DISCUSSION PAPER

INFORMAL MEETING OF THE ENVIRONMENT MINISTERS

**WORKING LUNCH – COMPETITIVENESS OF CIRCULAR ECONOMY**

**CREATING A STRONG COMPETITIVE AND INNOVATIVE EUROPEAN  
CIRCULAR ECONOMY**

**11 - 12 JULY 2024, IN BUDAPEST**

The transition to a circular economy is one of the most important challenges of our time. Its tools are present throughout the value chain, throughout the entire life cycle of products, from product design, through manufacturing processes and consumption to end of life treatment.

The transition to a circular economy will necessarily require the transformation of production processes, the efficient use of raw materials, the elimination of waste, the efficient use of energy, clean energy production, sustainable transport and the development of proper waste and water management. The aim of the transition is to maximise the value of products, raw materials and resources in the economy for as long as possible, while minimising waste and then treating it properly.

This requires a horizontal approach and coherence at a strategic level for all sectors concerned. A successful transition would provide a competitive advantage in the global market to the European Union, whilst reducing our vulnerability and dependence on external sources of resources. But we cannot move towards a circular economy on our own; systemic approaches are needed with actors at all levels. To be part of a broader global cooperation towards circularity, we need to convince as many partners as possible to work together.

Therefore, the European Union must foster its competitiveness, resilience and wellbeing, whilst reducing emissions and pollution and preserving nature by preventing the generation of waste, promoting repair, reuse and remanufacturing

and developing new innovative solutions based on high-quality separate waste collection and recycling.

At the start of the new EU institutional cycle, it is particularly important to take a fresh look at our environmental and circularity objectives and priorities and to give a strong direction to our sustainability efforts.

The working lunch will focus on identifying strategies to ensure that the European Union continues to play a leading role in global environmental efforts, while maintaining its economic prominence. In the light of recent political and economic changes, it is vital that we work together to define our next steps in these critical areas.

## **BOOSTING CIRCULARITY**

Transitioning quickly and efficiently from a linear economic model to a circular economic paradigm is crucial to create a sustainable future. However, the implementation of circular principles cannot be expected from the financial sector and market players alone. It is essential to set a conducive framework and incentives for all stakeholders – economic operators including the industry and product and service providers, as well as consumers. These incentives would contribute to boost economic performance whilst reducing resource use and its impacts.

The European Environment Agency's recent report, the State and Outlook on the Circular Economy 2024, highlights the need to encourage manufacturers, retailers and consumers to extend the life of products. Economic incentives play a crucial role in motivating consumers to choose actions that extend the life of products rather than buying new ones. Such measures should address the economic disadvantages of repair and reuse options and tackle the lack of appropriate spare parts.

The EU and its Member States can incorporate circularity into economic strategies by investing in green technologies and infrastructure, providing subsidies and tax incentives for circular practices, and aligning investment and economic incentives with environmental regulations. By supporting research and development in sustainable technologies and encouraging public-private partnerships, the EU and Member States can foster innovation that drives both economic growth and environmental sustainability.

The deployment of financial and non-financial incentives is essential. Provided that they are in line with existing state aid rules and other relevant legislation, financial incentives could include tax breaks, grants and low-interest loans for companies investing in circular processes. For consumers, incentives may include discounts on recycled products or rebates for participating in recycling programmes. Non-financial incentives may include recognition schemes, certification and public awareness campaigns that highlight the benefits of the circular economy and encourage sustainable actions from, as a matter of priority, manufacturers and retailers, as well as from consumers.

## **ROBUST SECONDARY RAW MATERIAL MARKET**

As the Letta report<sup>1</sup> states, the EU must embrace a vision to gradually establish a Circular Single Market where economic growth and well-being are no longer dependent on unsustainable use of natural resources and dangerous dependencies.

The recovery of materials from waste will become increasingly important to secure the supply of raw materials, especially those critical to the functioning and competitiveness of the EU economy. The extent to which the demand for raw materials can be met by recycled materials in the future will depend on the development of waste management technologies but also on the quality standards that can be set by policy makers and achieved by the industry, as highlighted in the State and Outlook on Circular Economy 2024 report.

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<sup>1</sup> Enrico Letta - Much more than a market (April 2024)

Creating an economy based on secondary raw materials poses several challenges, including ensuring the quality and consistency of recycled materials and establishing a reliable supply chain. These challenges could be addressed by setting strict quality standards, investing in advanced recycling technologies and promoting the benefits of secondary raw materials. In addition, creating markets for secondary raw materials through public procurement policies, ensuring relative prices reflect the generally lower external costs of recycled materials and encouraging industries to use them can increase their marketability and competitiveness on the global stage.

We need to put a strong emphasis on the secondary raw materials policy, on creating a secondary raw materials economy, which will not only lead to more sustainable supply chains but also to increased competitiveness in Europe. There should be a particular focus placed on materials that have the highest environmental impact, as well as strategic and critical raw materials.

## **INSTITUTIONAL DEVELOPMENT**

An institutionalised exchange of information and experience between Member States would accelerate the implementation of circular economy principles by facilitating the exchange of best practices and innovative solutions – through the establishment of dedicated platforms and networks for regular communication, such as intergovernmental working groups or online fora. By fostering cooperation and knowledge sharing, Member States will be able to collectively move towards a more sustainable and competitive European economy. This requires in particular the development and regular updating of implementing measures, guidelines and frequently asked questions to support existing legislation.

Developing linkages and applying best practices to regional needs requires a transparent and continuous communication to support circular transition and industrial symbiosis. The exchange of information, know-how and experience between Member States needs to be strengthened and institutionalised, both in legislation and during the implementation phase, as a key driver of European cooperation.

We invite ministers to exchange views in 2 minute-interventions, based on the questions below.

**Questions for discussion:**

- 1) What kind of financial and non-financial instruments should the EU deploy to facilitate the transition to circular economy and enhance competitiveness?*
- 2) How can the EU contribute to establishing a secondary raw material single market in order to increase Europe's competitiveness and reduce dependencies at the global level?*
- 3) How can institutionalizing information and experience exchange between Member States accelerate the implementation of circular economy principles and ensure transparent communication?*