



Position Paper

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Consultation on the Circular Economy Act

Reloop is a global non-profit organisation that operates at the intersection of industry, research entities, NGOs and government. With this collaborative approach, Reloop actively works with policymakers to develop legislation that is ambitious, grounded in scientific evidence and takes into account the practicality for industry.

Reloop's vision is a world free of waste, and our mission is to accelerate the transition to a circular economy.

Based on Reloop's five Programmes, we set out six recommendations for the forthcoming Circular Economy Act.

With our proposal, we aim to steer Europe further towards a circular economy and enhance material recovery across the EU. Our goal is to promote investment in practical, scalable solutions while ensuring that legislation effectively supports the transition to a low-carbon and resource-efficient economy.

Through this contribution, we also seek to provide the European Commission with evidence-based insights on e-waste management and on measures to strengthen the single market for waste, secondary raw materials, and their use in new products.

Reloop's recommendations for the Circular Economy Act

The growing ambition to increase recycled content in packaging or other applications like cars and batteries is already driving significant investment in high-quality recycling infrastructure. However, this transition also brings new challenges. Businesses are finding it increasingly difficult to access reliable, high-quality secondary raw materials, and as demand for recycled content rises, the need for stronger oversight and market integrity becomes essential. Ultimately, the success of these processes depends on trust and credibility within the recycling system.

Without more robust monitoring, auditing, and enforcement, particularly to address false labelling and unsafe imports, the viability of legitimate recyclers and public health could be put at risk, undermining investment and confidence in Europe's recycling transition.

Concretely, Reloop calls for the **Circular Economy Act** to:

- Expand the definition of **separate collection**, with **Deposit Return Systems (DRS)** as a key tool for CRM-containing products.
- Mandate **Mixed Waste Sorting (MWS)** to complement separate collection, secure necessary secondary materials and prevent the loss of valuable materials, from plastics to critical raw materials.
- **Evolve EPR into a resource management tool** for implementing circular economy policies that drive circular design, reuse, recycling, and EU-wide harmonisation to close material loops.
- Establish **predictable recycled-material markets** through accelerated mandates, tax incentives, public procurement prioritisation, ecomodulated EPR fees, CRM recycling targets, harmonised standards, traceability, certification, and import controls.
- Provide **financial incentives**, including taxes, VAT reductions, and targeted funding, to support recycling, reuse, sorting, and broader circular practices.
- Ensure the Act creates **enabling conditions** that make reuse systems financially viable and operationally efficient as well as oversight and monitoring mechanisms in order to prevent delays and loopholes.

1. Collect More, Sort More: Separate collection and Mixed Waste Sorting

1.1 Suggested definition for separate collection

We note that the Single-Use Plastics (SUP) [Directive](#), and now the Packaging and Packaging Waste [Regulation](#) (PPWR), require the separate collection of all packaging. As the Circular Economy Act seeks to create a market for secondary raw materials, the aim should be to promote broader material separation and collection. It would therefore make sense to introduce a more precise legal definition of separate collection. In the context of the circular economy, the purpose of separate collection is to facilitate remanufacturing, reuse, or high-quality recycling.

Proposed definition:

Separate collection means the sorting of waste by households, businesses, or other entities into products, materials, or groups thereof, such that — after collection and subsequent sorting — the potential for remanufacturing, reuse, or high-quality recycling is maximised. In the case of hazardous waste, including from households, separation may also serve to ensure suitability for specific treatment or to avoid inappropriate disposal routes where recycling is not feasible.

This definition is intended to encompass both traditional separate collection and commingled collection systems, provided that commingling does not undermine the ability to achieve the above objectives.

1.2 Expand separate collection through Deposit Return Systems for CRM-containing products

Article 26(7) of the [Critical Raw Materials Act](#) (CRMA) requires the Commission to establish a list of products, components, and waste streams that have relevant critical raw material (CRM) recovery potential. The European Commission has now adopted this [list](#), identifying the priority items for targeted recovery measures. For these listed products, Member States are required to implement measures that enable efficient and high-quality material recovery. To fulfil these obligations, it is essential that separate collection systems are established for the products identified under Article 26(7).

The use of Deposit Return Systems (DRS) provides a practical and effective means of achieving this. DRS creates a direct economic incentive for the return of end-of-life products, ensuring that large numbers of CRMs are collected separately, reducing contamination, and increasing the potential for high-quality recycling in line with the CRMA's objectives.

For these reasons, Deposit Return Systems should be considered a key tool for implementing separate collection of CRM-containing products. They can be structured to:

- Incentivise the return of products with significant CRM content (e.g. electronics, batteries, lighting equipment, tools).
- Include provisions for the return of 'legacy' products, that is, items with long lifetimes that still contain valuable materials.

- Support the achievement of minimum EU-level collection targets for CRM-containing waste products, as foreseen in the CRMA.

Moreover, under Article 63 of the [Batteries Regulation](#), the Commission must, by 31 December 2027, assess the feasibility and potential benefits of establishing Deposit Return Systems for batteries, particularly for portable batteries of general use, and may propose legislative measures on this basis. Given that batteries are among the most significant sources of CRMs, their inclusion under a DRS represents an important precedent.

Now is an ideal time to explore Deposit Return Systems (DRS) as a collection mechanism for batteries and for applications containing materials listed under Article 26(7) of the Critical Raw Materials Act (CRMA), such as electrical and electronic equipment. Decades of experience with beverage packaging DRS have demonstrated how to achieve high collection rates, transparency, and efficiency at scale. The infrastructure, governance models, and public familiarity developed through these programs provide a solid foundation for extending the approach to new material streams, helping accelerate the transition toward a circular system for critical metals with consistent design, traceability, and producer responsibility.

Equally important, recent technological advances now make such systems practical. In the past, sorting batteries of varying chemistries, shapes, and brands was slow and labour-intensive. Today, artificial intelligence and automation, already proven effective in packaging recovery, enable accurate, high-volume sorting and material identification. This paves the way for an efficient, EU-wide system in which batteries are collected through deposits, automatically sorted, and channelled into safe recycling streams. Designed from the outset to operate at the European level, such a system could harmonise standards and maximise the recovery of valuable materials essential to the green and digital transitions. Reloop supports the establishment of Deposit Return Systems for some of the products covered in the [list](#), particularly where such systems are well-suited to support significant improvements in collection performance, in line with the objectives of Article 26(7) of the CRMA.

1.3. Mixed Waste Sorting

As the previous section has shown, improving separate collection, particularly for products containing critical raw materials (CRMs), including through the use of DRS, is essential. However, this alone will not be sufficient to achieve the EU's recycling target, for example the 55% plastic packaging recycling target by 2030 set under the Packaging and Packaging Waste Regulation (PPWR).

With the Circular Economy Act, the European Commission aims to increase demand for secondary raw materials, create a unified market for waste, and prioritise secondary raw materials. This initiative is particularly significant for economic operators required to meet the EU's recycled content targets. Moreover, it aligns with the EU's broader objectives of decarbonisation and transitioning to a sustainable, circular economy by improving waste management systems and end-of-life treatment strategies. In light of this initiative, Reloop would like to highlight Mixed Waste Sorting (MWS) as a system-based enabler for reducing greenhouse gas (GHG) emissions by ensuring that minimal raw materials are lost to disposal. By preventing the incineration and landfill of recyclables and recirculating them into the market as secondary raw materials, MWS plays a crucial role in advancing a truly circular economy.

What is Mixed Waste Sorting?

It uses advanced technologies to extract valuable recyclable materials from mixed waste streams. This enables the recovery of plastics, metals such as copper, nickel, lithium, and cobalt, as well as reusable wood, which would otherwise end up in incinerators or landfills.

The role of Mixed Waste Sorting in complementing separate collection

MWS complements existing separate collection systems, such as DRS and kerbside collection, by recovering valuable materials that remain in the mixed waste stream. While separate collection is highly effective, it does not capture all packaging and materials placed on the market. Losses persist in hard-to-reach areas, such as multi-residential buildings, public spaces, and the business sector, exacerbated by inconsistent recycling behaviour and limited access to convenient collection infrastructure.

Rather than replacing separate collection systems, MWS builds on them, creating an additional layer of recovery that helps Member States capture more materials, increase recycling rates, and reduce greenhouse gas emissions from both disposal and production. In doing so, it strengthens circularity while also contributing to the EU's broader objectives of decarbonisation, resource efficiency, and strategic autonomy.

Europe's waste management system is currently organised around three main streams. Deposit Return Systems collect beverage containers such as bottles and cans, which are routed directly to sorting plants. Source separation involves households and businesses separating recyclables such as paper, plastics, metals, and glass at the point of disposal, which are also sent for sorting and pre-processing. The third stream, mixed or residual waste, consists of the materials not separated by consumers and is typically processed in mechanical biological treatment facilities. While these facilities attempt to recover recyclables, a large share still ends up incinerated or landfilled.

By introducing a mixed waste sorting obligation, the system is enhanced with new steps that recover additional materials from the residual stream. Grading plants and upgraded MBT facilities are able to refine outputs and improve the quality of recyclables, ensuring more of them can be channelled back into recycling instead of disposal via incineration or landfill. In this way, MWS allows the three streams to function in a more integrated manner: deposit return and source-separated waste continue as before, while mixed waste is now subject to additional recovery and refinement before final treatment. The benefits are significant. Mixed waste sorting increases the overall volume of materials recovered, improves the quality of recyclables, and reduces the reliance on landfill and incineration. It also provides a more resource-efficient treatment pathway for residual waste.

Practical [examples](#) already exist, including initiatives by the Federation of Municipalities Sörab in Sweden, as well as municipal systems in Gdańsk and Cracow in Poland, which show how MWS can operate effectively alongside existing collection schemes. Detailed data from Cracow shows that 20% of the reported secondary materials come from mixed waste sources while Sörab proves that 10% of the recyclables (by weight) are rescued from the incineration.

Why is it critical?

MWS bridges the gap between waste generation and material recovery by capturing recyclables, waste electronics and batteries missed by separate collection systems. These systems are designed to sort waste at the source, enabling households and consumers to separate materials such as plastics, paper, glass, and organics, waste electronics and batteries.

However, even in the most developed and optimised source separation systems, a significant amount of recyclable material still ends up in mixed waste. Separate collection systems, while essential, face limitations that hinder their effectiveness. Many areas lack universal access to these systems, leaving certain populations without recycling options. Even where such systems are available, not all residents participate, and those who do often fail to sort their recyclables correctly. Additionally, inefficiencies in the sorting process further reduce the recovery of recyclables. These challenges create a compounding effect known as the "Recycling Attrition Spiral," where losses occur at each stage, availability, participation, accuracy, and sorting efficiency. Even under ideal conditions (95% coverage, 90% participation, 90% accuracy and 90% efficiency), the recovery rate peaks at just 69%.



To address these gaps, complementary solutions such as MWS are critical. MWS works downstream from separate collection systems, processing mixed waste (the unsorted waste remaining after source separation) to extract valuable recyclables from products and packaging, as well as critical metals of electronic waste. By recovering materials that would otherwise be lost to landfill or incineration, MWS ensures fewer raw materials are wasted, manufacturers have greater access to European raw materials and a competitive edge, driving progress towards a truly circular economy. MWS is indispensable for realising the EU's vision of a secondary raw materials market, enabling economic operators to meet ambitious recycled content targets, avoid new taxes on uncollected and recycled materials (like Europe's new Plastic Tax), all the while supporting sustainable resource management.

The case for Mixed Waste Sorting: packaging recycling target

Current [projections](#) show that the EU is unlikely to meet the 55% plastic packaging recycling target by 2030 through separate collection and improved recyclability alone. Even with high-performing systems such as DRS and advances in packaging design, recycling rates in most Member States will remain below target levels. The only scenario in which the EU consistently achieves the 2030 targets is one that combines improved collection and recyclability with the roll-out of effective MWS before incineration or landfill. MWS captures valuable materials that would otherwise be lost, ensuring recycling rates for both plastic and paper packaging are met.

The case for Mixed Waste Sorting: WEEE and CRMs

According to a [study](#) conducted by Deloitte and commissioned by the WEEE Forum, around 0.8 Mt of Waste Electrical and Electronic Equipment (WEEE), equivalent to 1.5 kg per EU inhabitant, is currently discarded in mixed residual waste and lost to incineration or landfill each year. Small electronic devices, such as chargers, mobile phones, shavers, toothbrushes, e-cigarettes and vapes, headphones and earbuds, small electronic toys, power

tools, and household items like external hard drives, are often discarded in regular bins by consumers and businesses, bypassing dedicated collection systems.

This leakage represents a significant loss of valuable materials, including critical raw materials, and undermines EU targets for WEEE recovery and circular economy ambitions. While public awareness campaigns and dedicated separate collection infrastructure are necessary, they are insufficient on their own to prevent WEEE from ending up in the residual stream.

By capturing these devices before disposal, MWS can play a decisive role in reducing WEEE losses, recovering valuable resources, and ensuring compliance with EU collection and recycling objectives. Integrating MWS with existing systems would provide a safety net for misplaced WEEE, enabling both environmental and economic gains.

Besides electronic products, the [list](#) under Article 26(7) of the CRMA includes bottom ashes from municipal and industrial waste incineration, MWS can play a crucial role in extracting CRMs before materials reach the incineration stage, thereby preventing the loss of valuable resources to bottom ash.

Concretely, Reloop is calling for: **mandatory inclusion of Mixed Waste Sorting (MWS) as a complementary measure to increase recycling rates in Europe and to prevent the landfilling and incineration** of valuable materials, ranging from plastics to critical raw materials.

2. Reforming EPR - to implement circular economy policies

The current Extended Producer Responsibility (EPR) governance framework in the EU has successfully mobilised funding to finance waste management systems for several waste streams. However, it has largely failed to create incentives to improve product design or prevent waste generation. The focus must now shift from waste management to **resource management**. EPR systems should not only support the collection and sorting of materials but also ensure their reintegration into similar applications, thereby closing the material loop.

To achieve this, EPR should be [upgraded and integrated](#) into a broader strategy for resource efficiency and circularity. This includes:

- **Repositioning EPR as a resource management tool**, aligned with a comprehensive strategy that links fees to the Ecodesign for Sustainable Products Regulation (ESPR) and helps reduce waste at the source.
- **Reforming EPR fees to drive circularity**, including dedicated funding for repair and reuse. Incentives should reward products with high levels of post-consumer recycled (PCR) content, for instance, through fee reductions. Countries such as Spain, the Netherlands, and France already apply such incentives, which support closed material loops and stimulate investment in a circular plastics economy. These measures can also encourage better eco-design and support waste prevention efforts.

- **Expanding the scope of EPR:** Many resources are currently lost due to the lack of separate collection. Furthermore, taxpayers often bear the costs of managing waste from products not covered by existing EPR schemes. EPR should be extended to cover additional streams of products that contain critical raw materials as listed under the [list](#), following Article 26(7) CRMA.
- **Harmonising EPR across borders:** Transboundary shipments of waste and second-hand products pose challenges to national Extended Producer Responsibility (EPR) systems, as exported goods may escape EPR contributions in recipient countries. An EU-wide harmonised EPR framework would help address these issues by improving data sharing, ensuring financial accountability, and maintaining the integrity of national systems. Such harmonisation would also reduce current fragmentation caused by differing collection and recycling obligations, eco-modulation criteria, and financial incentives across Member States. In doing so, it would support the creation of a true single market for waste and a genuine European market for secondary raw materials, while enabling more coherent, efficient, and equitable recycling systems.
- **Ensuring transparency and good governance of EPR and Producer Responsibility Organisations (PROs):** The EU should establish independent oversight of EPR schemes through an EU-level watchdog to monitor PRO performance, ensure accountability and transparency, and involve a broader range of stakeholders, including municipalities, in EPR governance.

To recap, Reloop calls for **EPR to evolve from a waste management tool into a resource management instrument** that drives circular design, supports reuse and recycling, and is harmonised across the EU to close material loops and recover critical raw materials.

3. Reuse Revolution: Create a viable business case of reusable products

For reuse to become a mainstream solution, the Circular Economy Act must focus on creating the right enabling conditions that make reuse systems financially viable and operationally efficient.

Key enablers include:

- **Economic incentives:** Adjusting EPR schemes so that part of producer fees are channelled into the development of reuse infrastructure. Fiscal measures such as VAT reductions or exemptions for reusable products and services can further correct existing cost imbalances with single-use packaging. The introduction of a **levy on single-use materials** would further strengthen incentives for circular solutions. By making single-use packaging more expensive, producers are financially encouraged to switch to reusable or refillable packaging systems, while consumers are nudged to choose products with reusable packaging due to the associated cost differences.
- **Infrastructure support:** Investment in shared facilities for collection, cleaning, and sorting of reusable packaging is essential to reduce operational costs and enable economies of scale. EU funding instruments

should be made accessible for system operators, provided national governments align domestic priorities with reuse implementation.

- **Standardisation and cooperation:** Cross-border alignment of packaging formats and logistics systems is critical to lower costs for businesses, facilitate consumer acceptance, and allow reuse to operate efficiently in the Single Market.
- **Financial mechanisms:** Dedicated transition funds, favourable loans, or subsidy schemes can de-risk upfront investment for businesses and support the scaling-up of reuse systems.
- **Integration into policy frameworks:** Making reuse a formal priority in national circular economy, food waste prevention, and climate strategies can help direct resources and political attention to system-building.
- **Public procurement of reusable or refillable packaging** can create strong market signals, driving demand for circular solutions, encouraging producers to adopt sustainable designs, and demonstrating the viability of reuse at scale.

By embedding these enabling measures into the Circular Economy Act, the EU **can create the conditions for reuse systems to thrive**, helping to prevent waste, reduce dependence on virgin materials, and strengthen Europe's resource efficiency and competitiveness.

4. Closing the loop: Recycled content

The European plastic recycling industry is currently facing a severe crisis, driven by economic pressures that have led to the collapse of recyclers across the continent. In the Netherlands alone, 10 recycling companies have gone bankrupt and 2 have relocated abroad in less than two years. By the end of 2025, Europe is [expected](#) to lose recycling plants equivalent to almost one million tonnes of recycling capacity. The consequences extend beyond recycling: in 2023, European plastics production fell by 8.3%, while the EU's share of the global market declined from 22% in 2006 to just 12% today. This situation is not caused by local inefficiencies but reflects a systemic market flaw: manufacturers consistently opt for cheaper virgin plastics over recycled content whenever the price difference makes it economically advantageous.

Similarly, while mandatory recycled-content requirements represent a step forward, the current rules provide insufficient market stability. For example, the 25% recycled PET requirement for beverage bottles under the Single-Use Plastics Directive (SUPD) has not yet created a stable demand for recycled materials. While, the targets under the Packaging and Packaging Waste Regulation (PPWR), though binding, mostly phase in towards 2030, delaying their impact on the market.

To address these issues Reloop suggest:

A predictable market for recycled materials must be created by actively driving demand and making recycled content cost-competitive.

- **Mandate Recycled Content:** speed up implementation of recycled content mandates across different regulations and introduce tax incentives to boost market confidence and restore demand (e.g., existing targets in the Batteries, packaging and proposed End-of-Life Vehicles Regulations).
- **Leverage Public Procurement:** Utilise the powerful, yet underused, lever of public spending. Introduce measures to explicitly prioritise European recycled materials and reused products in public procurement to create lead markets and stimulate innovation.
- **Ecomodulate EPR Fees:** Ecomodulate Extended Producer Responsibility (EPR) fees to make recycled materials cheaper than virgin alternatives. These fees must reflect the true environmental costs (e.g., carbon emissions) of virgin production to strengthen the business case for recycled inputs.
- **Address Critical Raw Materials (CRMs):** Set direct targets for the recycling of critical raw materials, complementing the existing 2030 strategic target in the Critical Raw Materials Act (CRMA), to drive demand across key sectors.

The integrity and competitiveness of European recyclates must be protected from unfair competition and low-standard imports.

- **Mirror Clause and Harmonised Standards:** Implement a Mirror Clause, as proposed in the PPWR, requiring that imported recycled plastics meet the same environmental standards as EU recyclers. This is environmentally justified and critical to prevent unfair competition that depresses prices.
- **Introduce Customs Codes and Traceability:** Urgently introduce dedicated customs codes for both virgin and recycled plastics, and products containing recycled content. This enables better tracking and alignment with EU legislation through mirror clauses, ensuring circular materials are not at a structural disadvantage.
- **Strict Verification and Import Controls:** Verify recycled content through independent certification to safeguard consumer trust and maintain the credibility of European recyclates. Enforce strict import controls to ensure all recycled plastics and products meet EU standards and do not undermine 'made in the EU' products.
- **Monitor and Adjust Tariffs:** Implement surveillance mechanisms to monitor imports of both recycled and virgin polymers. This enables rapid policy responses in the event of import surges. Furthermore, establish tariff adjustment mechanisms for imports of recycled plastics and products containing recycled content to address unfair competition and market distortions.

5. Financial incentives to enhance circularity

Reloop calls for a comprehensive set of financial incentives to strengthen circularity across the EU, moving beyond recycling to support reuse, sorting, and the development of closed material loops. Economic instruments can play a key role in driving investment and innovation in circular systems. For example, charges on non-collected or non-recycled materials, such as the EU plastic levy or proposed fees on uncollected WEEE, create strong market signals that encourage producers and waste operators to prioritise circular solutions.

To build on this, Reloop advocates for the following measures:

- **Integrate circularity into Green Public Procurement (GPP):** Implement tax reductions and procurement criteria that favour products with high recycled content, and prioritise the use of EU-sourced recycled materials in public purchasing decisions.
- **Extend the green VAT initiative:** Reduce VAT rates for products containing recycled content and apply 0% VAT for recycling activities, encouraging both supply and demand for circular products.
- **Targeted funding for the plastics recycling and reuse sector:** Earmark support from the EU Competitiveness Fund for development of the innovative recycling technologies, deploying proven separation and recycling solutions, infrastructure development, and systems that facilitate sorting processes and reuse models.
- **Link circular economy to industrial decarbonisation:** Recognise the use of recycled and reused products in EU decarbonisation policies and funding instruments, including the Clean Industrial Deal State Aid Framework and the Industrial Decarbonisation Accelerator Act, incentivising circular solutions as part of wider climate action.

Conclusion

Europe's growing ambition to increase recycled content in products, from packaging to vehicles and batteries, is driving unprecedented investment in high-quality recycling infrastructure. Yet, this momentum also exposes critical vulnerabilities in market transparency, material quality, and enforcement. As competition for reliable secondary raw materials intensifies, the integrity of recycling markets must be safeguarded through stronger monitoring, auditing, and compliance mechanisms. Without these, the risks of false labelling, unsafe imports, and market distortion threaten both legitimate recyclers and public trust in Europe's circular transition.

To address these challenges, the Circular Economy Act must establish a coherent and enforceable framework that strengthens market integrity and enables high-quality recycling. Reloop calls for measures to: expand the definition of separate collection, recognising Deposit Return Systems as a key instrument for products containing critical raw materials; mandate Mixed Waste Sorting to prevent the loss of valuable resources; and evolve Extended Producer Responsibility into a true resource management tool that drives circular design, reuse, recycling, and EU-wide harmonisation.

In parallel, the Act should promote predictable and transparent markets through recycled-content mandates, targeted fiscal incentives, harmonised standards, and traceability systems. Finally, it must create enabling conditions for reuse systems to thrive, ensuring that oversight, financial viability, and operational efficiency go hand in hand. Only by embedding these measures can the Circular Economy Act secure the trust, investment, and systemic change needed to close Europe's material loops and deliver a truly circular economy.