

Position paper: EU Circular Economy Act could boost economic development and strengthen strategic autonomy

The Dutch Banking Association (NVB) welcomes the European Commission's initiative for a Circular Economy Act (CEA). The transition to a circular economy can strengthen Europe's competitiveness and autonomy. Geopolitical tensions, supply chain disruptions and growing resource scarcity highlight the urgency of reducing primary material use and prioritizing circular strategies such as reduce, reuse, redesign, repair and recycling. However, reaching a circular economy by 2050 requires robust circular business cases and reliable data to ensure that financial and operational risks remain manageable for entrepreneurs and banks.

Why do banks engage in EU circular economy policy

The Dutch banking sector supports the transition to a circular economy¹. For banks, circular economy policy is increasingly linked to competitiveness and risk management. Volatile prices for key raw materials directly impact companies' margins, business continuity and investment decisions. These fluctuations stem from factors such as global shortages, export restrictions, sanctions, energy shocks and geopolitical instability. EU legislation can help reduce uncertainty and unlock the investments that, as highlighted in the Draghi rapport, are urgently needed. It can also provide reliable and comparable data to better assess risk and value creation. Finally, harmonised EU rules can reduce compliance costs by replacing fragmented national regulations, making it easier for companies to scale their activities across borders.

For the EU Circular Economy Act, the Dutch Banking Association recommends three key priorities to improve financeability and reduce risk:

1. **Create a level playing field: correcting market failure** *Ensure that circular business models become both financeable and scalable by correcting structural market barriers and aligning incentives across the EU;*
2. **Embedding circularity into EU financial architecture** *Mobilise private capital through targeted instruments such as guarantees, blended finance, and other mechanisms that support circular investments.*
3. **Preserving critical data points and strengthen material passports** *Preserve essential data points and enhance product and material passports to enable consistent risk assessment and valuation across sectors.*

Europe's Resource Dependence: A Strategic Vulnerability

The EU relies heavily on third countries, particularly China, for critical raw materials. China supplies 97% of the EU's magnesium, refines 100% of the rare earths used in permanent magnets, and controls 80% of global battery recycling capacity. Meanwhile, the EU lacks sufficient domestic recycling capacity, leading to the export of large volumes of valuable waste often back to China. Alarmingly, these exports alone could account for 14% of the EU's projected lithium demand by 2030.

Further strengthening the circular groundwork that has been laid

The EU has advanced its circular economy agenda through action plans and legislation. The Circular Economy Action Plan (CEAP), a core part of the European Green Deal, focuses on sustainable product design, waste reduction and improved resource efficiency. New and updated legislative frameworks help accelerate the transition, including the EU Taxonomy, the European Critical Raw Materials Act, the Ecodesign for Sustainable Products Regulation, the Waste Framework Directive and the Right to Repair Directive.

Momentum has increased through initiatives such as the Clean Industrial Deal (CID) and the Competitiveness Compass, both of which place circularity at the centre of Europe's industrial strategy. The Commission also highlights the potential for the remanufacturing market to expand from EUR 31 billion to EUR 100 billion by 2030, creating approximately 500,000 new jobs. Within this landscape, the Dutch Banking Association views the Circular Economy Act as an important instrument to strengthen the bankability of circular business models and support the broader transition.

Key priorities

1. Create a level playing field: correcting market failure

The NVB calls for EU policy measures that improve the economic viability of circular business models, either by reducing costs, stimulating demand for circular products or ensuring that linear alternatives reflect their true costs. A gradual sector-wide transition from a linear economy to a circular economy is needed. Today, circular products, whether made from recycled materials or designed for durability, often cost more than virgin-based or traditional alternatives. This cost imbalance places circular products at a competitive disadvantage and limits their ability to attract private capital. The absence of a level playing field hinders the scaling and financing of circular businesses. It should, therefore, become less economically attractive to produce single-use, disposable products or rely on virgin materials, while EU policy should actively reward circular solutions. To achieve this, we propose a set of measures aimed at strengthening the economics and establishing a level playing field, ultimately improving the financial viability of circular SMEs and industry.

The Netherlands: Crisis in Plastic Recycling Sector. In recent years, twelve Dutch plastic recycling businesses have gone bankrupt resulting in a loss of 1/3 of the Dutch plastic recycling capacity. This is partly due to the absence of a level playing field, driven by cheap virgin plastic imports undercutting recycle prices. From 2030, all plastic packaging in the EU must contain a minimum recycled content and the CID targets 24% circular materials by that year, yet the infrastructure required to meet these targets must be developed today. To meet the 2030 goals, the recycling capacity must be saved. We urgently need a **level playing field** that allows these companies to survive, scale and meet tomorrow's policy goals.

Setting minimum recycled content requirements for products containing critical raw materials

Europe remains heavily dependent on imported raw materials, while substantial volumes of valuable waste continue to be exported due to limited domestic recycling capacity. As demand for these materials grows across sectors, such as renewable energy (wind and solar), defence, digital infrastructure and mobility, Europe's exposure to supply-chain risk will intensify. The NVB, therefore, welcomes the Circular Economy Act's ambition, to stimulate demand for secondary materials. We recommend introducing minimum recycled-content requirements for products containing critical raw materials that face a high depletion risk, including lithium, cobalt, rare earths, tin, and copper. These requirements would complement the existing and forthcoming mandatory recycled content targets obligations, for example in plastic packaging or textiles. Limiting ambition in target-setting undermines the development of secondary markets and slows circular investments. This policy approach would boost recycling and the demand for its feedstock and cut demand for virgin extraction. Such measures would help mitigate supply chain risk, and scarcity concerns associated with critical raw materials.

Expanding Extended Producer Responsibility for circular economy impact

We recommend expanding and modernising Extended Producer Responsibility (EPR) in the EU by adopting a full product lifecycle approach, including eco-design requirements, sustainable sourcing, material tracking, and improved collection systems. These measures would enhance recycling and reduce environmental impacts throughout the value chain. In addition, we propose extending EPR to sectors with substantial material footprints and long-term waste challenges, among others construction materials and wind turbine blades. These sectors are currently not covered under EPR, yet they play a critical role in Europe's circular transition and generate large volumes of complex waste when products are not designed for reuse. Addressing these sectors early would help prevent future waste-management issues and stimulate innovation in circular design. Finally, we urge strong enforcement and better harmonization of existing EPR schemes. At present, companies face fragmented legislation across Member States, making cross-border operations unnecessarily complex and costly. Clear, more coherent EU-wide rules would reduce compliance burdens, provide businesses with greater regulatory certainty, and ultimately enable investors to support circular solutions with more confidence.

Phasing out high-impact materials

A credible and actionable vision for Europe's circular industry of the future begins with a clear understanding of which materials are compatible with a sustainable future, and which should be phased out. Building on existing frameworks, such as the Science Based Targets Network's High Impact Commodity List², European institutions and National Governments can identify priority materials and product groups. Based on this, phase-out roadmaps should be developed where feasible, for instance PFAS and ultra-low durability textiles.

For other materials, the emphasis should shift to prioritising and restricting their use to essential applications only (e.g., certain plastics or rare earths in the energy transition).

Integrating circular criteria in EU procurement

Public procurement policies offer an opportunity for the EU to demonstrate leadership in the transition to a circular economy. Alongside price consideration, societal impact and circular potential should serve as decisive criteria in awarding contracts. Integrating these criteria into procurement processes would accelerate market transformation, stimulate demand for circular alternatives, and create the conditions for entrepreneurs to obtain financing for innovative circular solutions.

2. Embedding circularity into EU financial architecture

In the absence of a fully level playing field for circular business models, intermediate public-private financing solutions are required. Expanding EU-backed guarantees and embedding resource use and the circular economy objectives into public-private investment vehicles would help accelerate early-stage growth. Many circular businesses rely on new technologies or emerging supply chains, and banks typically enter only once cash flow generation is sufficiently proven, which in that case can still be uncertain. When repayment capacity is uncertain, access to lending becomes challenging. Additional risk-bearing capital, through instruments such as guarantees and blended finance, can reduce the reliance on debt, improve repayment prospects and lower risk exposure for banks. Public risk-sharing can play a crucial role in enabling early growth, ensuring that promising circular enterprises reach the maturity level at which commercial financing becomes viable. To achieve this, two actions are recommended: 1) explicitly and systematically integrate circular principles (durability, repairability, and recyclability) into the eligibility criteria of EU financing instruments, such as the proposed Industrial Decarbonisation Bank, and 2) replicate instruments such as the Hydrogen Bank for circular infrastructure into a Circular Materials Bank, offering offtake guarantees for recycled inputs in sectors like construction. In implementing these measures, it is important that eligibility criteria within blended-finance instruments are not applied too rigidly at this stage of transition. A review of the EU Taxonomy's effectiveness in incentivising additional circular-economy investments would also be valuable. Blended-finance mechanisms should enable and accelerate meaningful progress towards circularity, while maintaining a trajectory toward higher standards over time.

3. Preserving critical data points and strengthen material passports

Private capital will only flow at scale into material-efficient products and business models if their economic value and risk profile can be assessed consistently. Financial actors require robust, comparable data on material sourcing, product design, value retention and end-of-life management in order to accurately price supply risks, input-cost volatility and regulatory exposure. Relevant information can be sourced from the CSRD standard on Resource Use and Circular Economy (ESRS E5), complemented by harmonised EU-wide product and material passports. This will become essential for assessing companies' exposure to supply disruptions, price volatility, future compliance costs, and long-term investment stability. Additionally, it is a good step to focus clearly on energy and resource use data points for the Voluntary SME guidance. These indicators represent the most significant levers SMEs can influence, and they are among the topics most frequently assessed as material by the Wave 1 companies, which rely on this information from their direct value-chain partners. Harmonised material passports can further strengthen trust and accelerate circular finance by providing transparent insights into reuse potential, durability, and recyclability.

Ensuring stronger and more centralised governance of material and primary resource use is essential. Science-based targets, as referenced in the Circular Economy Action Plan and in international initiatives, provide a basis for guiding resource use. The European Union is well positioned to assume a leading role in advancing this approach.³

The Dutch Banking Association and its members remain committed to supporting the transition to a circular economy, and welcome continued dialogue on this topic.

¹ Link: <https://www.government.nl/documents/leaflets/2024/03/14/joint-statement-by-government-and-banks-on-cooperation-towards-a-circular-economy>

² Link: [Materiality screening – Science Based Targets Network](#)

³ Circular Economy Act Expert Letter. Link: <https://content.ellenmacarthurfoundation.org/m/4859b348f9745f3d/original/Circular-Economy-Act-Letter-Aug-1-2025.pdf>

