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Proposals for a bankable circular businesscase

The Dutch Banking Association (NVB) welcomes the European Commission's initiative for a Circular Economy Act (CEA). A circular economy supports the competitiveness, resilience and strategic autonomy agenda. Reducing primary material use, strengthening secondary raw material markets and scaling circular business models, help Europe to manage exposure to resource scarcity, price volatility and supply-chain disruption.

For banks, the key question is whether circular business models can become financeable and scalable. Many circular entrepreneurs still face higher upfront costs, uncertain demand, fragmented rules and limited comparable data. These are not solely financing barriers; they also reflect market conditions that undermine the commercial viability of circular business models. Therefore, the CEA needs to address both the market conditions that make circular businesses viable and the financing needed to help them scale. Building on the NVB position paper on the CEA, the NVB recommends three priorities: create a level playing field for circular products and business models; embed circularity into EU financial architecture; and enhance circular data.

This paper proposes ten concrete measures the CEA can address to improve the circular business case. Table 1 summarises these ten measures across the three priorities and the following section explains how each priority and its proposed measures can strengthen the circular business case. Please see the annex for the concrete textual proposals.

Priority	***Policy proposals***	***Rationale***
Create a level playing field	1.Phasing-out high-impact materials	Correct the cost and demand imbalance that disadvantages circular solutions, reduce fragmented compliance costs and create predictable markets that companies and financiers can rely on.
	2. Recycled content	
	3. Lifecycle-based EPR	
	4. Simplified EPR	
	5. Circular procurement	
	6. Circularity assessment	
Embed circularity into EU financial architecture	7. Overarching legal basis for circular finance.	Use EU financial instruments, guarantees, blended finance and offtake-support to reduce early-stage market risks and unlock private investment in circular business models.
Enhance circular data	8. Circularity data	Harmonise and standardise circularity data with interoperable systems, proportionate requirements and no duplicate reporting, for: - product passports; - credit and risk models; - client and activity classification; - portfolio steering.
	9. Harmonised definitions	
	10. Simplified Digital Product Passports	

Table 1. Overview of policy proposals for the Circular Economy Act

Create a level playing field for circular products and business models

Circular products often remain structurally disadvantaged compared with linear, virgin-based alternatives. It is essential that the CEA corrects this imbalance by creating predictable markets, aligning incentives and reducing cross-border complexity. The following six measures translate this into practice by creating demand for circular products, strengthening incentives for circular design and reducing regulatory barriers to scaling.

1. **Phasing out high-impact materials:** Give businesses and investors clarity on which high-impact materials should be phased out, on what timeline and where essential-use exceptions are needed, enabling timely investment in viable circular alternatives.
2. **Minimum recycled content requirements:** create predictable demand for secondary materials, improving the business case for recycling infrastructure and reducing dependence on imported virgin resources.
3. **Lifecycle-based EPR:** shift producer responsibility from waste financing to lifecycle incentives, rewarding secondary material use, durability, reparability, reuse and recyclability.
4. **Harmonised and simplified EPR:** reduce the cost and uncertainty of divergent national systems, especially for companies operating across borders.
5. **Circular public procurement:** use public procurement to create more predictable demand for circular products and services, helping companies build a stronger business case and attract financing.
6. **Circularity assessment of EU legislation:** ensure new EU initiatives support circular objectives and do not unintentionally increase virgin material demand or undermine secondary markets.

Embed circularity into the EU financial architecture[1]

Many circular projects face technology, market and offtake risks that make commercial finance out of reach. At this stage of the circular transition, investment is needed to scale circular companies, often requiring equity or other risk-bearing capital. EU financial instruments should help mobilise this capital and provide targeted risk-sharing, creating a pathway towards commercial lending. The following measure addresses these financing barriers:

7. **Overarching legal basis for circular finance:** ensure EU financial instruments provide guarantees, blended finance and offtake-support for circular projects where risks are too high to attract private financing.

Preserve critical data points and strengthen product and material passports

Private capital can only flow at scale when circular risks and value can be assessed consistently. The CEA needs to make circularity measurable without creating parallel reporting obligations. The following three measures support this by improving data availability, harmonising definitions and making product passports easier to use:

8. **Circularity data for financial decision-making:** make information on resource dependency, material efficiency, secondary material use and transition risks available in harmonised, standardised and usable formats.
9. **Harmonised definitions:** define circular products, circular business models and secondary raw materials at EU level, reducing fragmentation and the risk of vague or potentially misleading circularity claims.
10. **Simplified Digital Product Passports (DPPs):** make DPPs useful for businesses and financiers through harmonising data and enabling reuse across systems. Keep requirements proportionate and avoid duplicate reporting.

Across these priorities, the NVB calls for coherence between environmental, industrial and financial policy, the responsible legislative departments and provide businesses and financiers with predictable conditions for investment and financing.

[1] Importantly, financial instruments can help bridge early-stage technology, market and offtake risks, but cannot substitute for addressing structural market barriers. Support for circular finance should therefore combine market creation with targeted risk-sharing.

Annex: From waste streams to investment streams

Concrete policy proposals EU Circular Economy Act

Below are ten concrete legislative proposals for the upcoming EU Circular Economy Act (CEA), developed from the perspective of the Dutch banking sector. The proposals aim to transform the three key strategic priorities from the Dutch Banking Association's initial position paper on the CEA, namely **create a level playing**, **embed circularity into EU financial architecture**, and **enhance circular data,** into concrete legislative proposals to be addressed in the act.

Implementing these proposals requires a predictable transition path for businesses and financial institutions. New requirements should therefore be introduced proportionately, with realistic transition periods that allow businesses and financial institutions to adapt. Their design and phasing should balance the impact on existing businesses, assets and outstanding financing, providing a predictable transition path without weakening the intended circular economy outcomes.

1) Create a level playing field

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 and thus financing from banks. A level playing field is also about future-proofing European industry by reducing exposure to volatile primary material markets, securing access to secondary materials, and maintaining industrial capacity and employment in Europe.

The CEA should create a **level playing field** by reducing costs, stimulating demand for circular products and ensuring that linear alternatives reflect their true costs.

The proposals under a level playing field consist of:

1. Phasing out high-impact materials;
2. Setting minimum recycled content requirements;
3. Integrating circular criteria into EU procurement;
4. Introducing lifecycle-based EPR;
5. Harmonising and simplifying EPR;
6. Improving sustainability assessments for new EU legislation.

These proposals are intended as general legislative and policy recommendations. They should not be read as recommending, facilitating or implying any coordination between banks or other market participants on individual commercial conduct, including customer or sector selection, product offering, pricing, financing conditions, risk appetite, portfolio allocation or future market behaviour.

Where the proposals refer to cooperation, standardisation, shared data, common methodologies or market development, this is intended to refer only to lawful public policy, technical or regulatory cooperation. Any such cooperation should remain within the limits of applicable competition law and should not involve the exchange of competitively sensitive information.

1. *Phasing-out high-impact materials*

Article X – High-impact materials and essential use

1. The Commission shall establish and periodically update a list of high-impact materials and product groups whose extraction, production, use or disposal pose significant risks to the achievement of the Union's climate, environmental, biodiversity and circular economy objectives.

2. In establishing the list referred to in paragraph 1, the Commission shall take into account:
   a) the availability of sustainable alternatives;
   b) lifecycle environmental impacts, including climate, biodiversity and pollution;
   c) resource criticality and supply risks;
   d) technical and economic feasibility of substitution;
   e) existing scientific methodologies and internationally recognised assessment frameworks.

3. For materials and product groups included on the list, the Commission shall, where appropriate:
   a) establish phase-out roadmaps with clear milestones and indicative timelines;
   b) identify essential uses for which continued use remains justified in the absence of suitable alternatives;
   c) adopt measures to prioritise reuse, recovery and high-quality recycling during the transition period.

4. Where phase-out is not feasible, the Commission shall ensure that the use of such materials is progressively limited to essential applications and supported by measures promoting substitution, material efficiency and circular design.

5. The measures referred to in this Article shall be implemented through delegated or implementing acts and, where appropriate, integrated into relevant Union product legislation

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 safe and competitive future, as well as which materials should be phased out.

The CEA needs to establish a mechanism for identifying high-impact materials and developing predictable transition roadmaps. Clear timelines for phase-out where alternative materials exist, and "essential-use" frameworks where they do not, would provide investors, entrepreneurs and financial institutions with greater certainty regarding future market direction.[2] This would reduce transition risks, facilitate capital allocation towards circular alternatives, and support the development of secondary material markets.[3] A clause in the CEA would establish the legal basis and process for identifying, prioritizing, and managing high-impact materials.[4]

[2] 'Essential use' is already a proven approach from the EU Chemicals strategy: European Commission, 'Implementation of the Chemicals Strategy' (EC Website, accessed August 2026); European Environment Agency, 2026. *Unlocking the circular economy — investment needs, barriers and enabling conditions*. EEA Report No 02/2026, Publications Office of the European Union, Luxembourg.

[3] European Environment Agency, 2026. *Unlocking the circular economy — investment needs, barriers and enabling conditions*. EEA Report No 02/2026, Publications Office of the European Union, Luxembourg.

[4] Suggested is to introduce such an article in a dedicated "High-Impact Materials" cluster in the CEA, positioned before the clusters on waste management and WEEE. This would be a strong basis for including a horizontal clause in sectoral legislation, such as the Battery Regulation or WEEE Directive.

2. *Setting minimum recycled content requirements*

Article X – Minimum Recycled Content for products high in critical and strategic raw materials

1. The Commission shall establish minimum recycled content requirements for products and product groups containing critical raw materials where such requirements contribute to the objectives of resource security, circularity and environmental protection;

2. The requirements shall initially apply to products in the following sectors:
    a. renewable energy technologies, including wind turbines and solar photovoltaic systems;
    b. digital infrastructure, including equipment for data centres and telecommunication;
    c. construction, including structural steel, aluminium profiles, copper cables, reinforcing steel, and other construction products covered under the Construction Products Regulation;
    d. building services equipment (HVAC, heat pumps, electrical installations).

3. The Commission shall establish, by delegated acts:
    a. the critical raw materials subject to recycled content requirements;
    b. minimum recycled content thresholds;
    c. methodologies for measuring and verifying recycled content;
    d. implementation timelines, taking into account the availability of secondary materials and the maturity of recycling technologies.

4. The list of sectors and materials shall be reviewed at least every five years and amended where appropriate.

The Circular Economy Act should establish a framework enabling the Commission to introduce minimum recycled content requirements for products containing critical raw materials and strategic raw materials. Priority sectors should include electrical and electronic equipment, renewable energy technologies, mobility products and construction products, as these sectors account for a substantial share of future demand for critical and strategic raw materials.[5]

Predictable, progressively increasing recycled-content obligations create stable demand for secondary materials, improving the business case for recycling infrastructure and circular business models.[6] This would reduce Europe's dependence on imported raw materials, strengthen strategic resilience and provide investors and entrepreneurs with the long-term certainty required to finance circular value chains.[7]

3. *Integrating circular criteria into EU procurement*

Article X – Circular Public Procurement

1. The Union and Member States shall ensure that public procurement frameworks progressively incorporate circular economy criteria, to stimulate demand for circular products and services and accelerate the development of circular markets.

2. Public procurement procedures shall integrate circular economy criteria alongside price considerations, including resource efficiency, recycled content, durability, repairability, reuse potential and lifecycle environmental impacts.

3. The Commission shall establish guidance and minimum requirements to support contracting authorities in applying circularity criteria and evaluating the societal and environmental value of procurement choices.

[5] European Commission, Joint Research Centre, *Supply Chain Analysis and Material Demand Forecast in Strategic Technologies and Sectors in the EU – A Foresight Study*, 2023.
[6] OECD, *Plastics Recycled Content Requirements*, OECD Environment Working Papers No. 2024/06, 2024*v.*
[7] European Environment Agency (EEA), *Scaling circular business models in Europe*, EEA Briefing 06/2026, April 2026, Publications Office of the European Union, ISBN 978-92-9480-769-4, DOI: 10.2800/4969777.

For circular businesses, the uncertainty of future revenues makes it difficult to secure private financing, particularly where technologies, supply chains or markets are still developing. Public procurement represents a significant source of demand in the European economy[8] and can therefore play an important role in creating lead markets for circular products and services. Integrating circularity criteria into procurement would provide companies with greater visibility over future demand, helping innovative circular business models move beyond early-stage markets and achieve the scale needed to become commercially viable.

The approach should build on the EU's existing public procurement framework and upcoming procurement reform. The current framework already allows contracting authorities to take environmental considerations and life-cycle costs into account[9], but the Commission's recent evaluation found that the uptake of green, social and innovative procurement remains uneven across Member States.[10] The forthcoming revision therefore provides an important opportunity to strengthen and harmonise the role of circularity in public procurement, ensuring that circular criteria are applied more consistently while avoiding additional fragmentation and administrative complexity.

4. *Introducing lifecycle-based EPR;*
5. *Harmonising and simplifying EPR*

The NVB recommends including two complementary extended producer responsibility (EPR) articles in the CEA. The first should modernise and expand EPR by applying the lifecycle-based model and the second should simplify EPR systems by establishing a single, centralised European system for data collection.

Article X – Lifecycle-based extended producer responsibility

1. The Union shall promote a lifecycle-based approach to extended producer responsibility (EPR), building on the approach established under the Battery Regulation, whereby producers are responsible for the environmental impacts of products throughout their lifecycle, from design and sourcing to end-of-life management.

2. For priority product groups with significant material footprints or complex end-of-life challenges, EPR schemes shall progressively incorporate requirements covering:
    a. circular product design and durability;
    b. sustainable sourcing and responsible material use;
    c. material composition and traceability;
    d. collection, reuse, repurposing and recycling systems;
    e. reporting and transparency on product lifecycle impacts.

3. EPR fees shall, where appropriate, be modulated according to the environmental and circularity performance of products, including factors such as durability, reparability, reusability, recyclability, recycled content, material efficiency, hazardous substance content and the availability of established end-of-life treatment pathways. Eco-modulation shall be designed to be predictable, while still creating meaningful economic incentives for producers to improve product design and reduce lifecycle environmental impacts, while avoiding disproportionate administrative burdens and ensuring that fee structures remain transparent and predictable.

4. The Commission shall assess and identify additional product groups where a lifecycle-based EPR approach would significantly contribute to circular economy objectives, resource security and waste prevention.

5. The Commission shall ensure that lifecycle-based EPR requirements are implemented in a harmonised manner across the Union, reducing fragmentation between Member States and providing producers and investors with greater regulatory certainty.

[8] Approximately €2 trillion, or 14% of EU GDP, spent annually on the public procurement process; European Commission, The Clean Transition Dialogues – stocktaking: A strong European industry for a sustainable Europe, COM(2024) 163 final, 10 April 2024.
[9] So called 'life-cycle costing-.
[10] European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, Commission publishes evaluation of EU Public Procurement Directives, News article, 14 October 2025.

The Commission can build on the lifecycle approach established under the Batteries Regulation and extend similar principles to other priority product groups. The Circular Economy Act can move EPR beyond end-of-life waste management towards a comprehensive lifecycle responsibility model covering product design, material sourcing, traceability, collection, reuse and recycling. The Commission can thus prioritise sectors such as construction materials and wind turbine blades, given their significant material footprints and anticipated future waste challenges.

In the EU, EPR currently applies to several major product and waste streams, most notably packaging, batteries, electrical and electronic equipment (WEEE), and end-of-life vehicles, with EPR requirements also being extended to areas such as textiles. Two important challenges of EPR in the EU are weak producer incentives and administrative complexity.

First, EPR does not always provide strong incentives for producers to improve product design. As discussed in academic reviews, when EPR fees are not sufficiently differentiated according to factors such as recyclability or environmental performance, producers may have little financial motivation to redesign their products.[11] In this case, EPR risks functioning primarily as a mechanism for financing waste management rather than encouraging eco-design.

Secondly, EPR systems can create significant administrative complexity because requirements differ across EU Member States. Producers may have to deal with different registration procedures, reporting requirements, fees, compliance schemes, and collection obligations. The greatest economic added value of the CEA lies in further strengthening the European internal market and preventing national interpretations and deviations. A single European standard reduces costs, creates economies of scale and increases investment security.

Article X – Harmonisation, interoperability and administrative simplification of EPR

1. The Union shall promote the harmonisation and interoperability of extended producer responsibility systems across Member States, with the objective of reducing unnecessary administrative burdens, facilitating cross-border compliance and ensuring the effective functioning of the internal market.

2. The Commission shall work towards greater consistency in the registration, reporting, data exchange and verification requirements applicable under EPR schemes, including through common data requirements, interoperable systems and, where appropriate, mutual recognition of information submitted by producers.

3. EPR systems shall be designed to enable the efficient exchange and verification of relevant compliance information across Member States and between competent authorities, producers, producer responsibility organisations and other economic operators subject to obligations under Union law, while ensuring an appropriate level of data protection and confidentiality.

4. The Commission shall assess opportunities to establish or facilitate Union-level mechanisms for accessing, exchanging and verifying EPR-related information, with a view to avoiding unnecessary duplication of registrations, reporting and compliance procedures and enabling efficient cross-border verification of producer compliance.

5. In developing or revising EPR requirements, the Commission and Member States shall seek to ensure that producers and other economic operators are not required to provide substantially equivalent information repeatedly through incompatible national systems, and that digital compliance processes are proportionate to the size and nature of the economic operator.

[11] Lifset, R., Kalimo, H., Jukka, A., Kautto, P., & Miettinen, M. (2023). Restoring the incentives for eco-design in extended producer responsibility: The challenges for eco-modulation. *Waste Management*, *168*, 189-201.

This administrative complexity can be particularly burdensome for SMEs and companies operating across borders, thus going against the idea of a Single Market. The proposed articles address both challenges, the former through eco-modulation and a lifecycle approach, the next through a harmonized application requirement.

The issue with existing EPR systems is not necessarily that any individual national requirement is unreasonable, but rather that the cumulative burden becomes significant because companies are required to interact with 27 different national systems. This creates a particularly significant burden for companies operating in multiple EU-countries. It also creates a risk of inconsistent verification because a company may have to interpret and reconcile different national systems rather than applying one harmonised EU procedure.

Banks have an interest in simplifying and harmonising EPR requirements because fragmented national systems can increase the operating costs, regulatory risks and uncertainty faced by the companies they finance and invest in**.** For businesses operating across the EU, multiple registrations, reporting systems, verification procedures and compliance requirements can increase the cost of scaling, particularly for SMEs and companies developing circular business models. These additional costs and risks can affect companies' profitability, cash flows and ability to expand, while making it more difficult for financial institutions to assess regulatory and operational risks.[12] Greater harmonisation and interoperability of EPR systems could therefore reduce unnecessary transaction costs, improve regulatory predictability and support investment in circular and cross-border business models, without reducing the environmental ambition of EPR.

6. *Improving sustainability assessments for new EU legislation*

Article X – Circularity Assessment of Union Policies

1. When amending existing legislation or developing new legislative initiatives with significant implications for resource use, the Commission shall assess their impacts on material consumption, resource efficiency, secondary material demand and circular economy objectives.

Circularity should be considered systematically when developing EU legislation that has significant implications for resource use. Without such an assessment, policies designed to address other strategic objectives (such as competitiveness, energy security or access to critical raw materials) may unintentionally increase demand for virgin materials or overlook opportunities to strengthen secondary material markets. A circularity assessment on new policies would help identify these trade-offs at an early stage and ensure greater coherence between EU policies.

The Critical Raw Materials Act (CRMA) is a good example of why this kind of horizontal assessment could be useful. The Act has a legitimate objective to secure Europe's access to critical raw materials, but its primary focus is on increasing supply, diversification and extraction/processing capacity. From a circular economy perspective, resource security cannot be achieved through increased primary supply alone: the priority must also be to reduce overall resource use through material efficiency, longer product lifetimes, reuse and substitution.

[12] "Thompson and Cowton (2004) identify…interrelated dimensions of this risk: liability risk (when banks inherit contaminated collateral), credit risk (when borrowers cannot meet obligations due to environmental shocks or compliance costs)" and "The findings are strongly aligned with stakeholder theory. As banks are increasingly accountable to a broader constituency (e.g., regulators, civil society, clients and shareholders), failure to manage environmental risks can result in reputational damage, compliance costs and weakened stakeholder trust."; Mouti, K., Kilincarslan, E., & Li, J. (2026). Environmental credit risk, climate change and bank performance: Evidence from a global panel of banks. *Business Strategy and the Environment*, *35*(2), 1646-1666.

2) Embed circularity into EU financial architecture

From here our attention shifts from regulating markets, to financing the transition. Expanding EU-backed guarantees and embedding 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. 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 and lower risk exposure for banks. Such support should preserve sound, risk-based credit assessments and remain consistent with applicable prudential requirements.

7. *Mobilizing finance for the circular economy*

Article X – Mobilizing finance for the circular economy

1. The Commission shall ensure that Union financing instruments supporting industrial transformation, innovation and strategic investment systematically integrate circular economy objectives into their eligibility and investment criteria.

2. In particular, Union financial instruments shall, where relevant, give due consideration to:
    a. resource efficiency and material productivity;
    b. reuse, repair, refurbishment, remanufacturing and product-as-a-Service business models;
    c. product durability, repairability and recyclability;
    d. the use of secondary raw materials;
    e. waste prevention and material recovery;

3. The Commission shall develop dedicated Union-level public policy risk-sharing mechanisms, including guarantees, blended finance and offtake support, to facilitate investment in circular technologies, infrastructure and secondary material markets where financing barriers persist due to technological or market uncertainty.

From a legislative perspective, the CE Act can establish a horizontal financing principle that the Commission must apply when designing and implementing EU financial instruments.

For example, Circular economy criteria could be systematically integrated into the proposed Industrial Decarbonisation Bank, because industrial decarbonisation and circularity are closely interconnected. Resource extraction and processing account for more than 50% of global greenhouse gas emissions.[13] Resource-intensive industries such as steel, aluminium, cement, chemicals and construction are not only significant sources of greenhouse-gas emissions, but also major consumers of virgin raw materials. Increasing the use of secondary materials, extending product lifetimes, improving material efficiency and enabling reuse can therefore reduce the need for energy-intensive primary extraction and processing, contributing to both decarbonisation and resource security.

Where price uncertainty in secondary materials markets is a significant barrier to investment or long-term offtake agreements, other financing instruments are appropriate such as Contract-for-Difference or offtake-support mechanisms to narrow the price gap between virgin and secondary materials. This would allow support for projects that deliver dual benefits for climate and resource security, while avoiding the creation of parallel financing instruments.

[13] United Nations Environment Programme (UNEP), 'Global Resources Outlook 2024: Bend the Trend – Pathways to a liveable planet as resource use spikes' (International Resource Panel, 2024).

3) Enhance circular data

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, harmonised, standardised and 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. Data should support not only product passports but also credit and risk models, client and activity classification and portfolio steering. This will become essential for assessing companies' exposure to supply disruptions, price volatility, and other linear risks.

The proposals under improving data and definitions consist of:

8. Providing circularity data for financial decision-making;
9. Harmonising definitions
10. Simplifying Digital Product Passports

8. Providing circularity data for financial decision-making

Article X – Circularity data for financial decision-making

1. *The Commission shall ensure that relevant circularity information generated under Union product legislation, including through Digital Product Passports and sustainability reporting frameworks, is available in a standardized and interoperable format that can be used by financial institutions and investors.*

2. *The Commission shall develop, building on existing reporting and product information frameworks, common indicators enabling financial institutions and investors to assess resource dependency, material efficiency, use of secondary raw materials and exposure to circular transition risks and opportunities.*

3. *Such measures shall build on existing data requirements and shall not create parallel reporting obligations for economic operators.*

Currently, financial institutions can increasingly assess climate exposure because EU legislation has created frameworks, metrics and disclosure requirements around greenhouse-gas emissions. Circularity is much less mature. Circularity is increasingly a financial consideration, but the data needed to assess it remains fragmented and inconsistent.

Financial institutions need reliable information on companies' resource dependencies, use of secondary materials, material efficiency and circular business models to assess transition risks and identify investment opportunities. The CEA should therefore support harmonised, standardised and comparable circular economy data, building on existing EU reporting and disclosure frameworks and interoperable product passports. Beyond product-level information, these data should support credit and risk models, consistent client and activity classification and portfolio steering. This would enable financial institutions to better integrate resource-related risks and circularity opportunities into lending and investment decisions, while avoiding the creation of parallel reporting requirements.

9. *Harmonised Definitions*

Article X – Definitions

1. (X) “Circular product” means a product designed, produced, used and managed throughout its life and at end-of-life in a manner that enables the preservation of its value through extended lifetime, reuse, repair, refurbishment, remanufacturing, repurposing or recycling, while reducing dependence on virgin resources.

2. (X) “Circular business model” means a business model that creates economic value while reducing reliance on virgin resource extraction through strategies including product longevity, repair, reuse, sharing, leasing, remanufacturing, resource recovery or the use of secondary materials.

3. (X) “Secondary raw material” means a material obtained from recovered waste or end-of-life products that has undergone sufficient processing to be suitable as an input for manufacturing processes and that can substitute virgin raw materials.

The article would not impose a new reporting obligation on banks. Instead, it would require the Commission to ensure that the underlying circularity data becomes available and sufficiently standardised.

A harmonized definition would help avoid a situation where "circular" becomes a vague or potentially misleading marketing claim. It would also provide greater consistency for financial institutions. At present, financial institutions may need to apply individual definitions, methodologies and eligibility criteria when seeking to identify and finance circular activities. A common EU framework would reduce this fragmentation, improve comparability across businesses and sectors, and give banks greater confidence that products and activities identified as circular meet a consistent set of criteria. This could support individual financing and investment assessments relating to the circular economy.

Such a definition would support circular procurement criteria, consumer information, financing decisions and market development. A common EU definition of a “circular business model” would provide a clear basis for policy, market development and investment decisions.

The EU uses the term ‘secondary raw material’ frequently, but there is no fully harmonised legal definition across all legislation.

10. Simplifying Digital Product Passports

Article X – Harmonisation, interoperability and administrative simplification of Digital Product Passports

1. The Union shall promote the harmonised and interoperable implementation of Digital Product Passports (DPPs) across product groups and Member States, with the objective of facilitating access to product information, supporting circular economy objectives and reducing unnecessary administrative burdens for economic operators.

2. The Commission shall promote common approaches to the structure, accessibility, exchange and verification of information contained in DPPs, including common data requirements and interoperable technical standards, while allowing sector-specific information requirements where necessary.

3. DPP systems shall, to the extent possible, enable information to be provided once and reused for multiple regulatory, business and circular economy purposes, avoiding unnecessary duplication of data collection and reporting obligations under different Union or national requirements.

4. The Commission shall ensure that DPP systems and related databases are interoperable across relevant Union legislation and product groups, enabling economic operators and competent authorities to access and exchange relevant information through standardised means and avoiding the development of incompatible parallel systems.

5. The Commission shall assess opportunities to establish or facilitate Union-level public or regulatory mechanisms for the access, exchange and verification of DPP information, including where appropriate common interfaces, data standards or shared infrastructure, while ensuring an appropriate level of data protection, confidentiality and cybersecurity.

6. DPP requirements shall be proportionate to the size and nature of the economic operator and shall take into account the availability and reliability of relevant information, in particular for small and medium-sized enterprises and operators participating in complex or cross-border supply chains.

Similarly to EPR, digital product passports (DPP) are a circularity tool that risks becoming a circularity obstacle if the administrative burden of implementation becomes too heavy. The proposed approach should make DPPs useful for businesses and financiers through harmonised data that can be reused across systems, product groups and Member States. Companies should not have to submit the same information repeatedly for different requirements; existing data should be reused wherever possible. Common data definitions and systems that can exchange information should enable businesses, financial institutions and public authorities to use these data efficiently. Data requirements should be proportionate to their purpose and companies' implementation capacity, particularly for SMEs, while preserving essential comparable information and avoiding duplicate reporting.

At present, financial institutions may need to rely on individual methodologies and data requirements to identify circular business models, assess the durability and residual value of assets, or evaluate exposure to resource and transition risks. A common and interoperable DPP framework could provide standardised, verifiable information that can support individual assessment by financial institutions, reducing reliance on bespoke data collection and improving comparability between companies and products.