

Policy Hub's Policy Recommendations *for the upcoming Circular Economy Act*

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The Policy Hub – Circularity for Apparel & Footwear welcomes the European Commission's intention to advance circularity targets in the EU through the upcoming Circular Economy Act (CEA). We believe it is essential to continue identifying the remaining levers and gaps that must be addressed to achieve a truly circular EU Single Market.

While progress has been made, we see significant room for improvement in how textile circularity has been addressed across existing legislative tools. We therefore urge the Commission to ensure that textiles are positioned as a core priority in the forthcoming Circular Economy Act.

Policy Hub sees the CEA as the key framework with the potential to introduce a regulatory tool for further progress on **ensuring greater harmonisation, legislative coherence, and the setting of a robust framework to boost circularity**.

More specifically, the technical recommendations of the Policy Hub towards the CEA are as follows:

Harmonise obligations under the Waste Framework Directive

- The CEA has the potential to **harmonise the obligations related to the Waste Framework Directive (WFD)**. We call on the European Commission to ensure the harmonisation of policies related to the setting of the different national Extended Producer Responsibility (EPR) schemes in the 27 Member States. It is therefore essential to ensure coordination and harmonisation of mechanisms for textile waste collection, recycling and other waste management operations. The CEA provides an important framework in this respect. More specifically:
 - Harmonise the setting of ecomodulation by the introduction of a timely implementing act with all the parameters for the calculation of the EPR fees;
 - Harmonise the list of activities that can be funded through the EPR fees;
 - Harmonise the reporting obligations of economic operators towards the different PROs;
 - Harmonise the financial model for the PRO to clarify textile waste ownership, including revenue and cost streams;
 - Harmonise how to support research and innovation in technological developments in the most efficient and targeted way, and how this support can build on current research and innovation.
 - Introduce a mechanism that ensures the coordination and collaboration between the different PROs to create efficiency and economies of scale;
 - Clarify and institutionalise the specific mechanism (i.e. reimbursement mechanism) to be introduced to avoid the duplication of payments.
 - Simplify the requirement to designate an authorised representative in each of the EU Member States by further specifying the process and who can act as the operator's representative in the specific national market. At the same time, registration mechanisms should be designed to prevent free-riding by making it obligatory for all economic operators placing products on the EU market, regardless of location, to appoint a representative and fulfil Extended Producer Responsibility (EPR) obligations. This will help ensure that the costs of managing textile waste are properly internalised and that all actors contribute fairly to the system.
- It is also fundamental to introduce a **central platform to streamline and simplify reporting efforts**, notably in the context of the WFD reporting obligations from producers to different PROs.
- The EU should **complement EPR schemes with dedicated funding**, de-risking tools, and innovation incentives to support first movers and accelerate the deployment of sustainable and circular business models across the value chain.

Harmonise Reporting Requirements through the Digital Product Passport

- We recommend that the European Commission **use the Circular Economy Act as a key enabler to simplify and harmonise reporting requirements across Member States, scopes and definitions**. This would reduce administrative burdens for producers, ensure consistency across Producer Responsibility Organisations (PROs), and enhance the efficiency of compliance efforts across the internal market.
- We call on the Commission to increase its efforts to ensure **legislative coherence between the different reporting data points** of the various pieces of legislation, especially with regard to traceability, fibre type and product composition, end-of-life attributes, etc.
- Additional tools should be introduced to support SMEs' compliance efforts.
- We also recommend that the Circular Economy Act clearly differentiate between traceability and transparency. Traceability enables structured, verifiable data flows across the value chain and should be positioned as a core tool to support compliance, harmonise reporting, and reduce duplication across regulations such as the WFD, ESPR, and DPP. Transparency, by contrast, refers to the external sharing of selected information, which relies on robust traceability to be credible.

Ensure coherence between the definition of End-of-Waste Criteria and WFD & ESPR conversations

- The development of end-of-waste (EoW) criteria for textiles is a key enabler for advancing circularity in the sector. While views may vary across the value chain, there is broad agreement on the need for a structured, inclusive dialogue on this topic. In this context, it is crucial that the Commission provides clarity on the process—both in terms of how and when the criteria will be developed and reviewed, in the short term and over time—and ensures that robust impact assessments support these discussions.
- The conversations on EoW criteria for textile products also need to regularly acknowledge the state of the art of current technologies and innovative developments. End-of-waste criteria should also be defined for by-products.
- It is also fundamental to link the work of the EoW criteria to the implementation of the revised obligations for textile waste and EPR schemes under the newly revised WFD.

Boost the use of Sustainably-Sourced Renewable Materials and recycled materials

- The CEA offers a good framework to boost further and incentivise the use of sustainably-sourced renewable materials and recycled materials in textiles. More specifically, to accelerate the transition towards circularity and sustainability, the European Commission should **introduce targeted incentives for using sustainably-sourced renewable materials**¹. These incentives should be embedded across relevant legislative and financial frameworks to drive uptake and market transformation. Recognition of sustainably-sourced renewable materials in the textile industry is also critical to consider under the Eco-design for Sustainable Products Regulation and any upcoming initiatives under the EU Bioeconomy Strategy.
- Policy Hub calls on the European Commission to introduce, under the ESPR framework, **minimum requirements on recycled content**. Specifically, we support the introduction of a minimum recycled content performance requirement coupled with an information requirement.
- To support the development of the secondary raw material market within the EU Single Market, we recommend that the CEA be used to establish a mechanism that ensures the implementation of such ESPR requirements. These requirements must be designed in a way that preserves competitiveness and takes into account the technical limitations of textile products. To that end, the CEA has the potential to be assessed as the regulatory lever and framework for the introduction of recycled content as a performance requirement at the portfolio level.

Better Define Theoretical vs Practical Recyclability

- **The ability to recycle must work hand in hand with an appropriate infrastructure of collectors, sorters, and recyclers (including preprocessors and onward processors)** to enable the right capacity to be in

¹ According to the Ellen MacArthur Foundation, “the circular economy is a system where materials never become waste and nature is regenerated”. In practice, this means that the textile and apparel industry uses either recycled or sustainably sourced renewable sources. This would also align with the direction of the United Nations Fashion Industry Charter for Climate Change (UNFCCC) 2030 commitment around raw materials.

place and for it to be operated in an economically efficient way. The textile industry can help support recyclability, for example, by using recycled content. However, it is up to EU policy to create the legislative framework needed to turn this into reality by enabling investment in infrastructure, supporting technology development, and making a clear distinction between theoretical recyclability and what is actually achievable today. The Waste Framework Directive and mandatory EPR play a large role in enabling this shift.

- In line with the above-mentioned point, the CEA will be a good opportunity to further establish the **difference between theoretical and practical recyclability** and ensure that when a product is marketed as recyclable, it can actually be recycled. Clearly acknowledging this distinction is critical. Today, recyclability only means that a material is theoretically recyclable if it can be collected, processed and reused as raw material or in new products. However, there is no guarantee that it will actually be recycled. It is actually recyclable if these operations can be industrialised in an economic manner and scaled in the short term, and are actually carried out in the EU, where the product is used. Practical recyclability depends not only on a technical demonstration under lab conditions but also on the need to be scalable at an industrial scale in order to attract the necessary investments. It is also essential to **distinguish between recycling a material and recycling a product**. Many products—particularly in the textile sector—are made of complex blends of materials which, although individually recyclable, become significantly more challenging to recycle when combined, limiting the actual recyclability of the final product.
- We also call on the European Commission to **periodically assess, evaluate and report on the state of play for the different recycling technologies** in the European Union Single Market to better identify where the levers and incentives are needed, and which areas require further Research & Development.

Financial Support to Enable the Transition

- While EPR fees under the WFD will contribute to driving change, **further support is needed to enable innovation and scale circular solutions** in the textile sector. Innovators require **stronger financial signals and targeted instruments** to bridge the financing gap during the transition phase. These instruments will need to be practically assessed in order to be implementable, but also be based on realistic targets against the current realities of the industry. The correct, implementable audit methods for these mechanisms would also need to be assessed in order to be introduced.
- It is important to introduce targeted incentives that encourage companies to invest in recycling infrastructure and research and development within the textile industry, combining state-level initiatives and private sector efforts. Looking at examples from other regions, such as the United States, can provide valuable insights into how well-designed incentives can effectively drive innovation and scale up circular solutions.
- Additionally, the EU should explore and implement reward mechanisms such as **reduced VAT rates** for circular products with demonstrated environmental benefits **or mechanisms that reward sustainable practices, like eco-modulation schemes**. Such incentives would help shift consumer behaviour, support sustainable business models, and ensure that circularity and the use of sustainably-sourced renewable materials and recycled materials become economically competitive and scalable across the internal market.
- It is also fundamental to have a **harmonised conversation on what circular or sustainable products are**. To ensure the effectiveness and coherence of such reward mechanisms, it is essential that the criteria for what constitutes a “circular” or “sustainable” product are based on a common, objective definition. In this regard, the forthcoming implementation of the Ecodesign for Sustainable Products Regulation (ESPR) offers a critical opportunity to establish a harmonised framework for defining circularity and sustainability across product groups. Aligning incentives with the ESPR’s criteria will help prevent the emergence of fragmented or competing definitions at the national or sectoral level, thus preserving the integrity of the internal market and ensuring legal and practical predictability for businesses.

The Policy Hub and its members remain committed to supporting the European Commission in the next steps of the drafting of the Circular Economy Act.

The Policy Hub - Circularity for Apparel and Footwear brings together the different perspectives of the global textile and footwear value chain to foster technical conversations on the sector’s transition towards sustainability and circularity.

The Policy Hub unites over 700 stakeholders from the apparel and footwear sectors, including brands, retailers, manufacturers, recyclers, service providers, and other key stakeholders in the textile value chain.

We leverage the technical expertise and insights of our members, supported by our Founding Partners—Cascale, Global Fashion Agenda (GFA), and the Federation of the European Sporting Goods Industry (FESI)—alongside our Advisory Group, which includes Textile Exchange, Fashion for Good, the Social & Labor Convergence Program (SLCP), the Fair Labor Association (FLA), the Organic Cotton Accelerator (OCA) and Better Cotton.