

Policy Hub Recommendations for the upcoming Circular Economy Act

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Introduction

The Policy Hub – Circularity for Apparel and Footwear, welcomes the Commission’s work on the upcoming Circular Economy Act (CEA) and the opportunity to contribute to its development.

For the textile sector, the CEA comes at a critical moment, as **several EU initiatives are beginning to reshape how products are designed, disposed of, and managed at their end of life**, including design requirements under Ecodesign for Sustainable Products Regulation (ESPR), the Extended Producer Responsibility (EPR), and end-of-waste (EoW) criteria.

However, the conditions needed for these instruments to work effectively are not yet in place. Textile waste is still not consistently collected or sorted at the level required to support high-quality recycling. Recycling technologies are developing but remain limited in scale, and the availability of recycled fibres is constrained, and markets remain underdeveloped. While policy is beginning to create demand, this demand is not yet sufficient or stable enough to support large-scale investment. At the same time, textile EPR rules risk being fragmented across the EU, hindering efficiency, economies of scale, and the proper functioning of the Single Market, increasing operational complexity and risking directing resources away from the activities that are needed to improve secondary material quality and support recycling.

Lastly, recycling alone will not be able to meet the material needs of the textile sector and support full transition to circularity. Sustainably sourced materials derived from renewable biological resources, such as cotton or wood-based fibres, are an essential lever to reduce reliance on virgin fossil-based inputs and support the transition of the sector. However, current EU circular economy policies do not sufficiently recognise the importance of these materials.

The CEA should therefore address these gaps to ensure that the system delivers sufficient volumes of high-quality materials that can be used across the Single Market, and that the right conditions are in place for recycled and renewable materials to scale. The CEA should:

- **Simplify and harmonise key elements of the Extended Producer Responsibility (EPR) requirements** across the Single Market, including operational flexibility and simplicity for the PROs, harmonised reporting and registration requirements, a closed list of activities that EPR fees can finance and inclusion of a specific reimbursement mechanism to avoid double payments. Strengthen compliance and enforcement mechanisms, and establish a **digital EU-wide One-Stop Shop (OSS)** to reduce administrative burden, improve interoperability and prevent free-riding.
- **Mobilise public investment, including via the new Competitiveness Fund and Horizon Europe**, to ensure that the collection, sorting, and recycling are recognised as contributors to the circular economy objectives and leveraged as strategic projects in the work programmes.
- **Strengthen the textile waste management system** by supporting the scaling of separate collection and sorting, focusing on efficiency, economies of scale, quality of output, effective organisation and clear definitions.
- **Improve the competitiveness and conditions for the use and movement of secondary raw materials**, as well as for the demand and scaling of recycling infrastructure, including through investment, reduction of administrative and Single Market barriers, and legislative coherence.
- **Recognise the role of sustainably sourced renewable materials (SSRM)** in the circular economy, reflecting their role in reducing reliance on fossil-based inputs.

Harmonise and simplify core elements of Extended Producer Responsibility (EPR) requirements across the EU

The revised Waste Framework Directive (WFD) has introduced mandatory Extended Producer Responsibility (EPR) for textiles, with Member States required to transpose the new provisions by June 2027. EPR will be an essential tool to scale collection, sorting, preparation for reuse and recycling across the EU, and to accelerate circularity in the textile sector.

However, national schemes are already developing at different speeds and through different models, creating significant divergence in scope, governance, reporting requirements, and compliance obligations. **The CEA is a key opportunity to harmonise the key elements of textile EPR across the EU**, preventing fragmentation and reducing administrative burdens within the Single Market.

A priority is the **harmonisation of governance models and responsibilities of Producer Responsibility Organisations (PROs)**. The CEA should provide clearer rules on the financial model for PROs, including ownership of collected textile waste and the activities that EPR fees may finance. These activities should be limited to collection, sorting, preparation for reuse and recycling, and recycling. At the same time, **PROs should retain the flexibility to plan and organise their operations in the most efficient and scalable way**. Overly prescriptive requirements, such as those on proximity or methods for allocating EPR fees would reduce efficiency or undermine the ability of PROs to build effective systems. PROs should be accountable for meeting clear objectives, but they should have sufficient operational flexibility to determine how those objectives are best achieved.

A second priority is reducing administrative fragmentation. In this context, the CEA should lay the legal foundation for a **digital EPR One-Stop Shop (OSS) for registration, reporting and information**. Such a system should allow EU-wide producer registration based on harmonised requirements, provide harmonised reporting templates, and enable interoperability with national PRO systems.

A third priority is **strengthening compliance and avoiding free riding**. The system should ensure that all producers placing textile products on the EU market fulfil their obligations in practice, including non-EU producers.

In this context, the CEA should:

- **Harmonise financial and operational framework for PROs to clarify ownership of collected textiles and associated revenue and cost streams.** For EPR to function efficiently, PROs should organise and coordinate the collection, transportation, sorting and recycling networks, coordinating stakeholders.
- **Ensure a closed list of activities that EPR fees may fund**, including collection, sorting, preparation for reuse and recycling, and recycling, as per Article 22a(8) of the WFD.
- **Harmonise registration and reporting requirements** across Member States, including templates, timelines, data formats and audit guidelines.
- Clarify **mechanisms to avoid double payments**, ensuring that fees are paid where the product is most likely to become waste.
- Clarify the **definition of 'producer'** and cross-border obligation of producers.
- Establish the legal basis for a **digital EPR OSS**, enabling single EU-wide registration (in line with the upcoming Implementing Act establishing the harmonised format for registration which the Commission is obliged to adopt under Article 22b(10) of the WFD), harmonised reporting, and interoperability with national PRO systems, while preserving confidentiality of users. The OSS should only be introduced if it's goal is to enhance

simplicity, cost-efficiency, and harmonisation – meaning its purpose should be focused on enabling harmonised reporting and registration and not simply digitalising existing Member States’ procedures. **The OSS should also enable stronger enforcement**, by requiring all producers to register and obtain a single EU-wide EPR identification number, as a market access condition.

- Companies should also eventually be enabled to use the relevant Digital Product Passport (DPP) data for EPR ecomodulation purposes, with the objective of avoiding duplicate reporting requirements and additional administrative burden.
- Further strengthen compliance by **allowing online marketplaces report and pay for their partners**, allowing them to act as an intermediary for EPR compliance.
- Finally, ensure fair and proportionate treatment of different textile product categories within EPR schemes. Apparel and footwear have distinct value chains, lifecycles and sustainability challenges compared with other textile categories. These differences should be reflected in the design of EPR systems so that obligations remain effective, proportionate and aligned with circular economy objectives.

Strengthening the textile waste collection and sorting systems

The textile waste management system is still not delivering the quantity and quality of materials needed to support recycling at scale. Separate collection remains uneven across the EU, and even where it exists, the quality of the collected material is often too low to support high-value reuse or recycling at scale.

The first issue is the way textiles are collected. Collection systems do not always preserve the quality of the material. In practice, textiles can become contaminated or otherwise degraded during collection and transfer, and once the quality of collected textiles is reduced, the options for reuse and recycling are reduced as well. **For this reason, the CEA should focus on expanding separate collection as well as on the conditions under which collection takes place.** The quality of the output from collection should be treated as a core part of system design.

A second issue is sorting. Textile waste must be separated by fibre composition, colour and condition before it can be directed to reuse or recycling. Today, sorting capacity remains limited, and where sorting does take place, the input material is often too mixed or contaminated to allow efficient processing. This makes recycling more costly and less reliable. **The CEA should therefore support stronger sorting systems and create conditions that help ensure that the output of collection is suitable for sorting and processing.**

To address these issues, the CEA should introduce the following measures:

- **Mobilise public investment, including via the new Competitiveness Fund and Horizon Europe**, to ensure that the collection and sorting are recognised as contributors to the circular economy objectives and leveraged as strategic projects in the work programmes.
- Improve the **quality of separately collected textile waste**, including through **clearer guidance on best practices** for sorting, contamination reduction and handling of textiles. This can also address **operational conditions of collection systems**, including how textiles are collected and handled, to avoid degradation of materials during collection and transfer.
- Support a more **consistent approach across Member States to monitoring the quality of separately collected textile waste**, including at transfer and sorting stages through checks of material quality and/or sampling protocols, so that poor-quality collection systems can be identified and improved.
- Ensure **clear allocation of responsibilities across collection and sorting systems**, including the ability to set contractual conditions that support material quality.

- Provide **clear and harmonised definitions** for key waste management activities, including preparation for reuse and preparation for recycling.
- Support **consumer awareness measures** to reduce mis-sorting and contamination of textile waste.

Improve the competitiveness and conditions for the use, movement, and demand for secondary raw materials

Even where textile materials are adequately collected and processed, their use as secondary raw materials remains limited. This is a question of how these materials are defined, regulated and integrated into the market.

The Commission is currently developing **end-of-waste (EoW) criteria** for textiles. This is a key step in determining when materials can cease to be waste and be placed on the market. Importantly, **EoW criteria for textile recycling should focus not only on technical definitions, but also on market conditions, competitiveness, and creating strong incentives for investments.** This means setting quality criteria, clarifying responsibilities across the value chain, and ensuring coherence with preprocessing steps. EoW should make it easier to invest, trade, and use recycled textiles, not just redefine the legal status.

The ability of materials to cost-efficiently move across the EU is also critical. Recycling capacity is not evenly distributed, and materials often need to be transported to specialised facilities. However, the EU Waste Shipment Regulation (WSR) rules include high administrative barriers or limiting the efficiency of the system. In this context, the use **of green-listed waste procedures is particularly relevant to facilitate the movement** of materials destined for recycling.

At the same time, the current framework does not sufficiently distinguish between **what is technically recyclable and what can be recycled in practice.** In the textile sector, many products are made of complex material compositions which may be recyclable in theory but are not currently recycled at scale. Practical recyclability depends not only on a technical demonstration under lab conditions but also on industrial scalability in order to attract the necessary investments.

Finally, market conditions remain a constraint. Recycled materials often face higher costs and uncertain demand, which limits their uptake. **Investment support and fiscal incentives will therefore be particularly important** for emerging recycling technologies that face high capital costs and uncertain market conditions.

To address these issues, we recommend that the CEA:

- Align EU customs classification for recycled textile materials with the approach taken for recycled plastics, by **creating separate, dedicated customs codes to distinguish recycled from virgin textile materials**, in order to improve traceability, support enforcement, and facilitate the movement of recycled textile materials across the Single Market
- Expand the use of **“green-listed” waste categories for textile materials that are destined for recycling** to allow recyclable materials to reach facilities that have the capacity to process them. This is particularly important for textile recycling, where specialised facilities may be located in specific regions.
- Introduce **EU-wide End of Waste (EoW) criteria for textiles**, focused on improving market conditions, competitiveness, and creating strong incentives for investments.

- Periodically assess, evaluate and **report on the state of play for the different recycling technologies** in the Single Market to better identify where the levers and incentives are needed, and which areas require further R&D.
- Introduce **financial support mechanisms** for accelerating the deployment of industrial-scale recycling technologies, and support research, development and industrial scaling of innovative textile-to-textile recycling technologies. Recycling projects should be recognised as strategic under the **Competitiveness Fund and Horizon Europe**.
- Introduce **fiscal incentives**, such as reduced VAT rates for products with recycled content.
- Clarify the **concept of recyclability in policy and product-related contexts**, including the distinction between theoretical recyclability and what can be effectively recycled at scale. Ensure that product-related requirements and claims reflect actual recycling conditions, particularly for textile products made of complex material compositions.

Recognising sustainably sourced renewable materials (SSRM) within the circular economy framework

Recycled materials are a central component of the EU circular economy framework, including textile circularity, but on their own, they will not be sufficient to meet the material needs of the sector, particularly in the short to medium term. Sustainably Sourced Renewable Materials (SSRM), including natural and organic fibres, also play an important role in reducing reliance on virgin fossil-based resources, therefore supporting the transition towards more sustainable material system across sectors, as highlighted in the EU Bioeconomy Strategy.

However, current EU circular economy policies at present remain largely focused on secondary raw materials and do not fully reflect the role that sustainably sourced renewable materials can play in the transition. In this context, the CEA presents an opportunity to **formally recognise the role of SSRM in advancing circularity across sectors**. Such recognition would provide an important foundation for further policy development, including future discussions on how to address existing gaps, improve alignment across legislative frameworks, and explore appropriate measures and incentives to support the uptake of SSRM.

In this way, the CEA can also support coherence with existing EU initiatives that already address renewable materials, including the EU Bioeconomy Strategy, the Clean Industrial Deal and the Ecodesign for Sustainable Products Regulation (ESPR).

As recognised in the Bioeconomy Strategy, **public procurement can play a role in supporting more sustainable material use**, given the scale of public sector purchasing across product categories and help accelerate the uptake of SSRM across sectors. At the same time, it is essential that any measures in this area are **developed in a coherent and coordinated way across EU frameworks**. For textiles, requirements on green public procurement (GPP) are expected to be considered through the Ecodesign for Sustainable Products Regulation (ESPR), specifically the upcoming Textiles Delegated Act. In parallel, the ongoing revision of the Public Procurement Directives provides an opportunity to further strengthen the integration of sustainability and circularity considerations into public purchasing across sectors. In this context, the role of the CEA should be to **support and reinforce the use of public procurement as a demand-side tool for sustainable materials**, including SSRM, while ensuring alignment with ESPR and public procurement legislation.

In this context, the CEA should:

- **Formally recognise SSRM and its key role in supporting the transition to circularity across sectors**, reflecting their role in reducing reliance on fossil-based inputs, and

establishing a foundation for further policy developments on SSRM, including identification of gaps, incentives, and alignment across EU policy frameworks.

- **Ensure coherence with existing and upcoming frameworks on public procurement,** including ESPR and the revision of the Public Procurement Directives, so that measures supporting the uptake of SSRM in public procurement are developed in a consistent and complementary manner.