



Discussion Paper

Ten guiding principles for a competitive circular economy in Europe

Promoting the circular economy — especially at the EU level — is a high priority for the German economy. In addition to ecological benefits, such as contributing to climate protection, there is also economic potential. This includes reduced dependence on imports of various raw materials, thus improving the resilience of companies, the development of innovative business models, and the opportunity to attract new customers through more sustainable products.

Many companies are already heavily involved in the circular economy. According to a 2024 survey by the DIHK on the circular economy¹, more than half of companies have already begun implementing specific measures to support the transition to a circular business model. Another 20% plan to do so in the near future. Every second company sees the transformation of its own business as an opportunity. However, more than one in three companies (37%) cannot assess the consequences for their own business model. This shows the willingness of companies to focus on circular economy measures, but also the need for legal certainty and a framework that is low on bureaucracy and friendly to innovation.

The DIHK has developed ten guiding principles for a competitive circular economy in the EU.

1. Strengthen demand for secondary raw materials
2. Ensure the supply of competitive recyclates and secondary raw materials
3. Ensure the implementation of legal regulations on the circular economy with minimal bureaucracy
4. Remove internal market barriers within the EU
5. Ensure effective enforcement
6. Use digitalization as a lever for the successful implementation of circular economy laws
7. Promote innovation and research
8. Design a practical regulatory framework for chemicals legislation
9. Better utilize secondary raw materials from electronic waste and construction waste
10. Actively collaborate with companies

Barriers to the circular economy

Despite its great potential, the implementation of the circular economy faces a number of significant barriers, including economic, technological, and social dimensions. It is important to emphasize in advance that the challenges vary greatly depending on the type of material. Nevertheless, there are some general obstacles that affect the majority of secondary raw materials.

According to the majority of companies, the availability of competitive secondary raw materials is a key problem. The prices of secondary raw materials are mostly higher than those of primary raw materials, while in some cases high costs or technological challenges are associated with achieving comparable quality or purity.

Consumer behavior also plays a decisive role. The majority of companies believe that awareness and acceptance of products made from secondary raw materials needs to be increased, as many consumers prefer new products or are not willing to pay a premium for products containing recycled materials, which inhibits demand for recyclable alternatives.

In addition, according to a significant proportion of companies, there is a lack of sufficient quantities of high-quality sorted waste within the EU that would be necessary for the production of secondary raw materials. In many places, the infrastructure for collection, sorting, and transport is also insufficiently developed. Bureaucratic approval procedures are a major obstacle to the expansion of recycling capacities in Europe. In addition, compliance with current environmental requirements can be a challenge in the production of secondary raw materials because material limits are continuously being lowered. Imported secondary raw materials, which are often cheaper but sometimes of lower quality or uncertain origin, can further increase competitive pressure on domestic secondary raw material production.

¹ [The circular economy as an opportunity?](#)

Finally, differing end-of-waste and by-product criteria in the Member States, various national extended producer responsibility systems, and complex substance regulations are hindering the development of a well-functioning internal market for waste and secondary raw materials in the EU. Harmonizing regulations is fundamentally in the interest of the German economy.

1. Strengthen demand for secondary raw materials

To increase demand for products containing recycled materials, the commercial sector believes that the focus should be on voluntary initiatives and economic incentives. Companies are striving to make their products more resource-efficient, energy-saving, and therefore more economical overall. If this is recognized politically and not counteracted by legal restrictions, companies are certainly willing to do their part to contribute to a functioning circular economy.

A majority of companies believe that public procurement should not be overburdened with strategic goals such as sustainability, and that small and medium-sized enterprises (SMEs)² should not be excluded from procurement processes due to overly detailed requirements. At the same time, many companies with a circular economy business model see public procurement as an important driver of the circular economy. According to them, the public sector should use its role model function by making use of the possibilities offered by public procurement law to set requirements directly related to the contract in terms of circularity and, if necessary, to allow alternative bids in this regard. It is crucial to take the needs and capacities of SMEs into account in a balanced manner when designing procurement procedures. In any case, secondary materials should not be disadvantaged in favor of primary materials in public tenders, as is currently the case in some regions of Germany, e.g., in infrastructure or construction projects. Maintenance and repair concepts should be taken into account in public tenders in order to reflect the total life cycle costs of a project and not just the acquisition costs.

The transition to circular production processes represents an opportunity for companies to generate new customers for whom sustainability aspects play an important role in their purchasing decisions and who are willing to pay a higher price for sustainable products. Public awareness campaigns targeting consumers can play an important role here in educating even more customers about the advantages of secondary materials. In order to take advantage of this opportunity, it is important for companies to provide information about the sustainability of their products and to advertise them. EU legislative initiatives such as the Green Claims Directive are therefore counterproductive. SMEs in particular would effectively no longer be able to advertise green product features under the rules of the directive because they often cannot afford the pre-certification of their environmental advertising claims³. The legislative process for the Green Claims Directive is not yet complete – from the DIHK's point of view, it makes sense for it to be withdrawn altogether.

Overly detailed specifications for eco-design requirements or specifications for recycled content quotas as a measure to strengthen demand for circular products pose challenges for companies. Production costs for companies would likely increase due to the higher costs of recycled materials. In some cases, compliance with recycled content requirements may simply not be possible due to a lack of secondary raw materials on the market. Overly detailed eco-design requirements can lead to a reduction in product diversity and make technology-neutral innovation more difficult. Requirements for the durability and recyclability of products should therefore give companies sufficient leeway in product development. This will enable companies to take advantage of the opportunities arising from improvements in energy and material efficiency in a competitive environment. Experience to date has shown that the implementation of eco-design requirements requires a long lead time for companies.

Some companies, including recycling companies, however, see a need for minimum requirements for recycled content in certain product groups, such as packaging, to create a market for secondary materials and economies of scale. The possibility of including biobased raw

² Micro-enterprises: Fewer than 10 employees, with an annual turnover or balance sheet total of up to €2 million.

Small enterprises: fewer than 50 employees, with an annual turnover or balance sheet total of up to €10 million.

Medium-sized enterprises: Fewer than 250 employees, with an annual turnover of up to €50 million and/or a balance sheet total of up to €43 million.

³ DIHK statement on Green Claims Directive

materials in the calculation could help to meet minimum requirements for recycled content.

2. Ensure the supply of competitive recyclates and secondary raw materials

Measures to increase demand for products containing recycled content must be accompanied by measures to ensure a sufficient supply of secondary raw materials that are competitive in terms of both price and quality. This requires an expansion of recycling capacities in Europe in order to increase the recovery of secondary raw materials, for which public and private investment is needed. On the other hand, simpler and more uniform planning and approval procedures, as deemed necessary by the DIHK for all sectors of the economy, can accelerate the construction of modern recycling plants and sorting and processing technologies.

The principle of technological openness should be pursued in recycling. In the future, chemical recycling could therefore play a more important role in addition to mechanical recycling, especially in the recycling of inhomogeneous plastics.

At the EU level, there are currently discussions about introducing export restrictions for certain waste streams in order to obtain secondary raw materials from them in Europe. Export bans and taxes are fundamentally contrary to the rules of the World Trade Organization. The highly internationalized German economy depends on an economically sovereign Europe that advocates open markets internationally, keeps its own market open, and counters protectionist tendencies. From the perspective of the majority of companies, possible measures to restrict the export of certain waste streams must be carefully examined for counterproductive effects on free trade and partnerships with third countries. This is likely to lead to copycat effects that would severely restrict the economic activities of German companies in third countries – at the expense of our strong foreign trade economy. Some companies see targeted measures as a last resort to restrict the export of certain waste streams as a potential way of securing raw materials for strategically important sectors in Europe.

EU-wide standardized certifications and standards for secondary raw materials can help to ensure the quality of recycled materials and enable companies to commu-

nicate the use of such recycled materials in a credible manner. Speed and legal certainty are essential in this process. When legal acts refer to standards, their application deadlines should be consistently linked to the publication of the respective standards. Companies should be involved in the development of standards early and in a structured manner to ensure practical applicability and feasibility.

3. Ensure the implementation of legal regulations on the circular economy with minimal bureaucracy

The level of bureaucracy has become an enormous burden for Germany and Europe as business locations. In a DIHK survey, one in three companies stated that they spend up to five hours per week on environmental queries and documentation alone. For more than one in four companies, the effort involved is even greater than eight hours per week⁴. In order for companies to make the transition to circular business models, laws must be designed to be as unbureaucratic as possible. Before environmental and, in particular, waste management regulations are proposed, their economic impact and practical feasibility should be assessed across the range of companies directly and indirectly affected as part of an impact assessment. If new regulations are introduced, they should be integrated into business practice with as little effort as possible.

In addition, existing regulations that are particularly burdensome for companies must be revised. These include, for example, the EU Packaging and Packaging Waste Regulation (PPWR), which will result in high costs and additional bureaucratic effort for companies due to overly complex conformity confirmation requirements, detailed evidence of the minimization of packaging weight and volume, as well as registration requirements and the appointment of authorized representatives in other countries. The Ecodesign for Sustainable Products Regulation has the potential to massively increase the compliance burden, especially for SMEs, due to the combined effects of new data collection requirements (e.g. on unsold consumer products), extensive ecodesign requirements, and legislative overlaps (e.g. with CSRD, CSDDD, Taxonomy Regulation, EUDR). Against this backdrop, from a business perspective, a "stop-the-clock" rule is needed for these two regulations in order to postpone their implementation. Such a

⁴ DIHK Environmental Barometer 2025 (not yet published)

postponement must be used to simplify and harmonize the existing rules.

The SCIP database, as part of the Waste Framework Directive, places a heavy bureaucratic burden on companies beyond the requirements of the REACH Regulation, without providing any practical added value. It should therefore be abolished in the view of the vast majority of companies.

4. Remove internal market barriers within the EU

Extended producer responsibility is an environmental policy principle that obliges manufacturers of products to participate in the disposal and recycling of their products. However, compliance with extended producer responsibility for different product categories represents high bureaucratic costs and an internal market barrier for many companies, especially SMEs and internationally active companies.

From the perspective of companies, important simplifications in extended producer responsibility would be if registration requirements could be carried out once across Europe and in an unbureaucratic manner on an EU-wide platform according to the one-stop-shop principle. The polluter pays principle should not be extended indefinitely along the entire value chain, but should continue to be limited to the handling of the end product. From the perspective of the commercial sector, a reduction in reporting requirements to a maximum of once per year would be viewed positively. The obligation to appoint authorized representatives in the various EU countries in which the company operates should be abolished. The introduction of de minimis limits (e.g., 10-30 products per year and country as a de minimis limit) would also be a great relief, especially for SMEs, although this would have to be accompanied by monitoring to prevent abuse. The fees for extended producer responsibility should be adjusted according to the recyclability of the products in question, as long as implementation is possible for authorities and companies without excessive bureaucracy. Simple and objective criteria should apply to the assessment of recyclability. There also needs to be transparency about how the fees are set and what the money is used for.

The current regulations on end-of-waste status are another barrier to the internal market, as they are not uniformly regulated at EU level. In some countries,

including Germany, there are even inconsistent regulations at the regional level. Differences in the implementation of end-of-waste criteria can mean that materials are no longer considered waste in one country but are still considered waste in another. This, in turn, can have a negative impact on trade in secondary materials. Companies must inform themselves about the different rules and ensure compliance, which can lead to administrative burdens and high costs.

In order to counter this barrier to the internal market, the vast majority of companies in Germany believe it is important to revise or further develop the generally applicable provisions for end-of-waste criteria in the Waste Framework Directive and to develop harmonized EU-wide criteria for the end-of-waste status of certain types of waste and by-products. Different national, regional, or local criteria for the end-of-waste status of waste and by-products should no longer be permitted.

The WEEE Directive requires labeling for the environmentally sound disposal of electrical and electronic equipment. However, the EU directive is implemented differently in each EU or sales country. The smaller the number of electrical appliances produced, the higher the compliance costs for labeling. For some devices, the additional costs can be so high that it is no longer worthwhile for small quantities. Harmonizing labeling requirements and mutual recognition of disposal instructions would be a good approach.

In order to strengthen the circular economy and create an innovation- and growth-friendly environment, uniform EU-wide regulations must be accompanied by uniform and business-friendly interpretation in the Member States. This also applies to the cross-border shipment of waste within the EU, particularly with regard to the notification procedure and waste classification.

5. Ensure effective enforcement

European companies increasingly face unfair competition from imports from third countries, which often do not comply with EU regulations (e.g., substance regulations, eco-design requirements, etc.). This affects both primary and secondary materials as well as products. Strong, harmonized enforcement of existing regulations across the EU is needed to ensure a level playing field.

6. Use digitalization as a lever for the successful implementation of circular economy laws

The possibilities offered by digital technologies should be fully exploited to support the transformation to circular processes. If it is easy for companies to implement and is designed and applied uniformly across Europe, the digital product passport can help to simplify existing reporting and notification requirements for companies and improve the flow of information between different actors (suppliers and customers, companies and consumers, etc.). However, most companies are not yet familiar with the digital product passport⁵. According to a DIHK survey, 65% of companies are not aware of the digital product passport. When implementing the digital product passport, the principle of data minimization should be applied. Integration costs should be minimized and appropriate exceptions and de minimis limits should be provided for, especially for SMEs. In addition, aspects of cybersecurity and the protection of company secrets must be taken into account. A prerequisite is the rapid and comprehensive expansion of the digital infrastructure to enable companies to expand their data storage and processing capacities.

The establishment of regional, digital, and voluntary raw material and recycling platforms can help companies use the waste products of other businesses as resources.

7. Promote innovation and research

Innovative technologies, new business models, and improved recycling processes are essential for a competitive circular economy in Europe. Research and development and the promotion of innovation play a central role in this: they enable the development of sustainable materials, the optimization of design for recycling and production processes, and new recycling methods. To this end, it should be ensured that research projects on the circular economy have unburdensome access to proven funding instruments at EU and national level. "Important Projects of Common European Interest" (IPCEIs), as already exist for other areas, could be useful measures in the field of circular materials for clean technologies in the event of market failure, as envisaged by the European Commission. However, such interventions should only be used in a

few well-justified exceptional cases and must be accompanied by other measures to improve business location factors. IPCEIs must be designed in such a way that SMEs with limited resources for strategic planning can also participate. In addition, low-threshold funding instruments are needed for the recycling industry, which is dominated by small and medium-sized enterprises. Pilot projects and regulatory sandboxes can also make an important contribution and should be promoted accordingly.

8. Design a practical regulatory framework for chemicals legislation

European chemicals legislation sometimes presents an obstacle for recycling companies. Under the REACH Regulation, recycled products are subject to the same obligations as new products. Recyclers must demonstrate precise knowledge of the composition and possible harmful substances in the recycled materials. This is often difficult or technically impossible and leads to complex documentation and verification procedures and considerable costs for analyses.

Some end-of-life products contain substances that were permitted at the time of manufacture but are now prohibited under REACH, RoHS, or POP regulations. Recyclates from these end-of-life products may then be considered unmarketable. Even minimal contamination can lead to the destruction of the materials. High legal requirements force recyclers to carry out expensive analysis and cleaning processes, which leads to high recycled material prices. Competition with cheap primary raw materials therefore makes the use of recycled materials unattractive.

To overcome these hurdles, there is a need for better coordination between waste law, chemicals law, and product law (e.g., REACH, RoHS, WEEE, Ecodesign), as well as a uniform interpretation by the authorities, for example through joint guidelines. Other solutions include introducing simplified registration procedures for recycled materials, pursuing a risk-based approach to the presence of critical substances in recycled materials, and approving such substances under strict conditions of use in applications where the risk can be controlled. In addition, information requirements under Article 33 of the REACH Regulation for recycled materials in products should be simplified.

⁵ DIHK Environmental Barometer 2025 (not yet published)

9. Better utilize secondary raw materials from electronic waste and construction waste

According to the European Commission, only Bulgaria, Latvia, and Slovakia achieved the 65% collection target for waste electrical and electronic equipment (WEEE) in 2022.⁶ Low collection rates in the other EU countries mean that valuable materials—especially critical raw materials such as copper, rare earths, gallium, germanium, and tungsten—cannot be recovered.

To increase the return rate of WEEE, companies are primarily advocating measures that offer incentives for consumers to dispose of their old appliances properly. A key approach is campaigns that raise awareness of the environmental impact of improper disposal and encourage responsible return. Consumers should be better informed about return options and motivated to return their waste. At the same time, controls should be stepped up to detect and prevent illegal exports of waste equipment.

From the perspective of the vast majority of companies, measures that place responsibility solely on manufacturers should be avoided. These include the obligation for manufacturers to meet national collection targets, the blanket increase of these targets even though the current targets are not being met, and financial penalties for manufacturers who fail to meet these targets. The mandatory recording of quantities by all stakeholders via a central national system is also viewed critically, as there are fears that this will lead to more bureaucracy.

The construction industry is one of the most resource-intensive sectors, but it also has great potential for the circular economy. From the perspective of the majority of companies, pre-demolition and pre-renovation audits improve the predictability and cost estimation of demolition or renovation work and offer potential for increasing material reuse. However, they should not be made mandatory. Increased administrative costs and a lack of expertise pose practical challenges, especially for smaller projects, for which audits are often costly. To increase efficiency and facilitate application, audits should be available in digital form. The use of secondary raw materials in the construction industry must not lead to secondary materials being transported over long distances or old building

structures being demolished instead of being continued to be used or professionally repaired.

The recovery of valuable raw materials from electronic waste and construction waste can also be promoted through design measures to enable high-quality recycling and closed technical cycles.

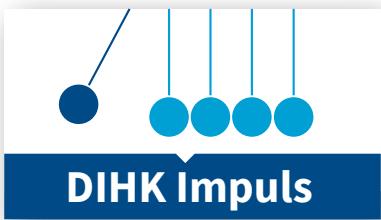
10. Actively collaborate with companies

A functioning dialogue between politics, authorities, science, and industry is essential for the successful and practical implementation of the circular economy. Politics sets the regulatory framework, defines goals, and creates incentives—but without the practical expertise and innovative strength of industry, many measures remain ineffective. Companies are aware of the challenges and potential along their value chains and can contribute concrete solutions. At the same time, the business community needs reliable political guidelines and legal certainty to be able to invest in the long term and develop new business models. Only through continuous exchange can practical, ambitious, and at the same time feasible strategies be developed that combine ecological sustainability with economic competitiveness. A dialogue on the circular economy at the EU level, bringing together representatives from politics, science, and business on a regular basis, could help to develop joint solutions, identify regulatory hurdles at an early stage, and create innovation-friendly framework conditions that combine both ecological and economic goals.

Who we are

The 79 chambers of industry and commerce (IHKs) are united under the umbrella of the German Chamber of Commerce and Industry (DIHK). The DIHK therefore speaks as the voice of the German commercial economy – because several million companies from commerce, industry, and services are statutory members of an IHK, from kiosk owners to DAX-listed corporations. We bundle the diverse interests of companies in a constitutional procedure based on legal principles in the overall interest of the commercial economy, thus contributing to the economic policy opinion-forming process. The DIHK is registered in the European Commission's register of interest representatives (No. 22400601191-42).

⁶ based on the quantity placed on the market in the previous three years



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