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Opinion of the Committee of the Regions – The role of local and regional authorities in the transition to a circular economy

(C/2024/5365)

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POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR),

Repositioning circular economy to tackle the triple planetary crisis

1. strongly reiterates the urgent need to tackle persistent problems in areas such as biodiversity loss, resource use, climate change impact and environmental risks to health and well-being; believes that achieving sustainability requires a complete transformation of key systems – the way we produce our food, we produce and consume goods, we move and build our cities and regions, while boosting nature's resilience and preparing for the impact of climate change. As set out in the European Green Deal, reducing resource use and the EU's transition to a circular economy will be crucial to achieve climate neutrality by 2050 by reducing our pressure on natural resources, while creating thriving economies, sustainable wellbeing and quality employment;
2. recalls that the EU's material footprint of 14,1 tonnes per capita in 2021 is about 40-70 % higher than available estimates of sustainable levels that can be considered broadly consistent with limiting environmental pressure within planetary boundaries. To date, in the wake of the brutal Russian invasion of Ukraine and the consequent energy crisis, much of the discussion about reducing consumption has focused on energy, while leaving aside the need to reduce overall resource consumption. In this context, the CoR welcomes the updated (2023) Circular Economy Monitoring Framework, which includes among new indicators: consumption footprint, materials footprint, materials dependency, and resource productivity;
3. stresses that a circular economy is not only good from an environmental point of view, because it saves raw materials and produces less waste, but it also increases the EU's strategic autonomy by reducing dependence on and the need for new imports of products and primary resources, and by making our territories and growth model more sustainable, competitive and resilient, leaving no one and no place behind;
4. welcomes the new Circular Economy Action Plan (CEAP) call for targets and policies achieving overall EU material use and consumption reduction, as well as the specific rules on textile and food waste in the proposed Commission amendment to the Waste Framework Directive ⁽¹⁾; highlights, however, that efforts made under the CEAP and by EU Member States are insufficient to bring about a paradigm shift in material resource consumption; calls, therefore, on the EU to take a leadership role in developing a legal framework for material resource consumption including targets, indicators, and monitoring requirements in line with the planetary boundaries;
5. highlights that thanks to 2020 CEAP's recommendation Member States developed dedicated circular economy policies although there is a clear prevalence of recommendations over binding targets at country level; calls for more stringent obligations for Member States to adopt Circular Economy strategies including aspirational binding targets and associated strategies at the national level that do not suppose a one-size-fits-all approach and support cities and regions accelerating their transition towards climate-neutrality and inclusive well-being;

⁽¹⁾ Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (OJ L 312, 22.11.2008, p. 3).

6. notes that many EU Member States already recognise the decarbonisation potential of the circular economy, which is increasingly mentioned in corresponding national strategies and programmes. Nevertheless, neither in circular economy plans, nor in national climate and energy plans (NCEPs) reporting does there seem to be a consistent way of assessing the impact of circularity measures on climate change mitigation and adaptation;

7. stresses ⁽²⁾ that market demand for circular products and services is still weak, which is a major obstacle to the scale-up of circular business models, and calls for tools to be rolled out to sustain sustainable consumption patterns; stresses that public procurement is a powerful instrument through which local and regional authorities (LRAs) can set standards and drive the market towards more sustainable products and services, but emphasises that the complexity of the rules often encourages risk aversion on the part of LRAs;

8. points out how the European Climate Law only mentions the CEAP once in the preamble, referring to regulatory frameworks for certification of carbon removals, and this may signal its limited potential to contribute to the EU moving towards circular economy;

9. stresses the need for further guidance and harmonisation of calculation models, methods and reporting of progress to: a) incorporate resource consumption and reduction and help tackle climate change, biodiversity loss, and pollution; b) bring greater consistency between national, regional and municipal climate strategies; c) avoid undesirable burden shifting from reduced material consumption to increased environmental, economic or social impacts; d) assess the impact of existing and new policies, not only at EU and Member-State, but also at local and regional level. Furthermore, emphasizes the need for comprehensive strategies that integrate circular economy principles across various sectors, including but not limited to housing, transportation, and procurement;

10. underlines that household consumption volumes in the EU increased by over one quarter (26 %) between 2000 and 2019. To counter this, existing policies targeting supply and production should be complemented with ambitious demand-side measures to steer consumption in a sustainable direction; highlights how the Right to Repair proposal recently adopted by the EP represents a concrete measure to encourage changes in consumption patterns; calls therefore to further explore sufficiency approaches as a complementary strategy to efficiency and consumption shifts

11. recalls how the EU's Covenant of Mayors for Climate and Energy introduced a pioneering bottom-up approach to energy and climate action, supporting the political commitment from its members and beyond, and recommends that the Covenant of Mayors extends its scope to the sustainable management of material resources by setting up dedicated working groups and providing its members with tools to support better integration of Sustainable Energy and Climate Action Plans (Secaps) and Circular Economy Action Plans;

12. acknowledges the relevance of the water sector contribution to circular economy, and welcomes the Water Reuse Regulation ⁽³⁾, which sets out minimum water quality, monitoring, and risk management requirements to ensure safe water reuse; calls for exploratory measures to: a) incentivise closing of nutrient loops, by setting targets for recovered materials within the Waste Framework Directive, the Sewage Sludge Directive ⁽⁴⁾ and the Fertiliser Regulation ⁽⁵⁾; b) ensure control at source and measures to protect drinking water and wastewater from hazardous substances; c) incentivise ecodesign to reduce water consumption in households through extensive provision of public information, dedicated financial support and use of ecolabels;

⁽²⁾ As already stated in previous CoR Opinions: Opinion of the European Committee of the Regions – New Circular Economy Action Plan (OJ C 440, 18.12.2020, p. 107) and Opinion of the European Committee of the Regions on the EU Strategy for Sustainable and Circular Textiles (OJ C 79, 2.3.2023, p. 17).

⁽³⁾ Regulation (EU) 2020/741 of the European Parliament and of the Council of 25 May 2020 on minimum requirements for water reuse (OJ L 177, 5.6.2020, p. 32).

⁽⁴⁾ Council Directive 86/278/EEC of 12 June 1986 on the protection of the environment, and in particular of the soil, when sewage sludge is used in agriculture (OJ L 181, 4.7.1986, p. 6).

⁽⁵⁾ Regulation (EU) 2019/1009 of the European Parliament and of the Council of 5 June 2019 laying down rules on the making available on the market of EU fertilising products and amending Regulations (EC) No 1069/2009 and (EC) No 1107/2009 and repealing Regulation (EC) No 2003/2003 (OJ L 170, 25.6.2019, p. 1).

Enabling cities and regions to implement the circular transition

Overcoming policy gaps and enhancing multilevel dialogue

13. emphasises that the bulk of EU Green Deal policies are implemented at local and regional level, which puts further, strong pressure on the capacities of LRAs, which have to engage and empower local businesses, communities and civil society;

14. recognises the need to better integrate bioeconomy and circular economy strategies since enhanced synergies of bio-based products, the sustainable use of renewable natural resources and nature-based solutions are key to addressing the triple planetary crisis;

15. values the work and results of platforms and networks like the European Circular Economy Stakeholder Platform (ECESP), Zero Pollution Stakeholders Platform, Circular Cities and Regions Initiative, which are the backbone of decentralised cooperation in the form of peer-to-peer learning, capacity building and technical assistance; acknowledges the need for greater interoperability and cooperation among them, including the implementation of one-stop shops and integrated methodologies that facilitate access to their resources for cities and regions;

16. stresses that cities and regions face many important challenges in their path to circular transition: environmental (such as air, water and soil pollution and waste management), social (exclusion, inequality, and disintegration of the social fabric) and economic (competitiveness and employment); acknowledges that the European Green Deal provides a comprehensive and ambitious regulatory framework, which is necessary to achieve a sustainable and climate-neutral Europe, in line with the 2030 Agenda Sustainable Development Goals on human health and environmental protection;

17. notes that a wide policy focus through integration across often siloed policies is still missing in local and regional governments. There is a need for greater integration of circular economy policymaking beyond environment departments, to areas including at least housing and land use planning, just transition, smart specialisation, procurement, food and transport, industrial/business policies and tourism; considers that in all areas the transition to a circular economy should start with reducing resource use and consumption;

18. calls for greater integration of local and regional socioeconomic agendas, like smart specialisation strategies with circular economy policies; welcomes initiatives such as the Regional Innovation Valleys (RIV), which help increase innovation cohesion by addressing Europe's persistent innovation divide between regions, and calls for the scope of RIVs to be extended to the circular economy, including through dedicated Horizon Europe provision, the Interregional Innovation Investments (I3) Instrument and the European Regional Development Fund (ERDF), and technical support;

19. warns that failing to involve local and regional authorities into relevant national decision-making processes on material resources reuse and climate mitigation and adaptation is hindering the circular economy transition. A clear example of this is the uncertainty around the categorisation of waste streams and how materials can be reinserted into production. Other regulatory barriers that could be mitigated through greater involvement of LRAs in decision-making processes are related to second-hand materials, land allocation, water reuse, demolition material reuse, the use of sludge, and reclaimed water in accordance with health and ecological standards. Besides greater involvement of LRA in relevant national decision-making, clear mechanisms should be established so that LRA are able to report on identified regulatory barriers. These reporting mechanisms on barriers are also lacking at European level;

20. underlines the urgency of adopting a sufficiency approach towards the growing demand for metals and other strategic materials necessitated by the green transition; emphasizes the critical need to prioritise the development of advanced processing and recycling capacities for these materials, ensuring that local and regional authorities play a key role in fostering the infrastructure and innovations required for strategic material management. This approach not only supports the circular economy's objectives of reducing waste and promoting material reuse but also addresses the essential need for sustainable resource consumption and security in the face of increasing global demand for these critical inputs;

21. welcomes the recent Commission proposal for a targeted revision of the Waste Framework Directive, which introduces mandatory Extended Producer Responsibility (EPR) schemes for textiles; recognizes that the EPR is an important policy principle to improve circularity of material flows through modifications in both the upstream and downstream ends of the value chain; nevertheless highlights that LRAs should be actively involved in the design of EPR schemes to guarantee recognition of territorial specificities, and maintain flexibility to accommodate context specific operational solutions. A common structure for EPR fees is needed and should include eco-modulation criteria, to guarantee a level playing field and incentivize ecodesign and circular business models. Financial and operational models of EPR should be articulated also by taking into account potential vulnerabilities of microenterprises;

22. acknowledges how the extension of the Extended Producer Responsibility (EPR) schemes has contributed to boost recycling rates and financial support for waste management services although there is little evidence that existing EPRs have influenced product design. EPR fees should be modulated for each product category taking into account their durability, reparability, reuse potential and the presence of hazardous substances, adopting a life cycle approach and on the basis of harmonised criteria to ensure a viable and correct functioning of the internal market; stresses the need of encouraging LRAs and other local actors, such as social economy operators, in the design of EPR schemes, especially for streams, such as textiles and Waste from Electrical and Electronic Equipment (WEEE), that rely on the existence of an extensive network of collection points;

23. stresses the urgency of addressing the challenges of premature obsolescence, particularly those driven by software updates and the inherent lack of reparability of many products, which significantly impact both the environment and household finances; encourages further legislation to increase the reuse and recycling of digital devices and components within the EU and to cut the energy consumption linked to data processing and cryptocurrency to massively reduce the internet's material footprint;

24. insists on the importance of implementing an effective and affordable right to repair across the EU, which would include the establishment of a uniform repair score to inform consumer choice and promote longevity in product design; underscores the critical role local and regional authorities play in empowering repairers and consumers through dedicated support and raising awareness programs, thereby reinforcing local economies and fostering sustainable consumption practices at the community level;

Mobilising financial support for circular economy transition at the local and regional level

25. warns that shifting from a linear and extractive to a circular and regenerative economy will require a significant amount of investment, at a time that cities and regions report inadequate financial resources; notes that to meet the financial needs of the green transition, climate and the environment funding have been mainstreamed across EU programmes: 30 % of the EU 2021-2027 budget and 37 % of the EU recovery fund (Next Generation EU) have been devoted to Green Deal related actions; urges the Commission, the co-legislators and Member States to provide for comparable or even more ambitious levels of expenditure in the next multiannual financial framework (MFF), notably under cohesion policy, and the NextGenerationEU follow-up instrument post-2026; calls upon the Commission to ensure that funding allocations within the MFF could prioritize initiatives to enhance education, reskilling, and upskilling of the labour force particularly in less developed regions, while also fostering investments in circular economy projects and building resilience;

26. notes that assessment of CEAP key actions and associated legislative proposals and instruments showed how a large part of spending focused on implementing EU waste legislation; calls, therefore, for measures to be put in place that can guarantee more balanced access to funding for projects addressing more systemic circular solutions, capable of taking into account whole production chains, and focusing on higher ranks of the waste hierarchy. Aligning financial incentives will require extensive analyses and collaboration among all stakeholders at EU, national, regional and local levels, as already expressed by previous CoR opinions⁽⁶⁾. Moreover, highlights the necessity of providing targeted support and funding mechanisms specifically tailored to regions according to the different levels of development, to facilitate their transition towards a circular economy;

⁽⁶⁾ Opinion of the European Committee of the Regions – New Circular Economy Action Plan (OJ C 440, 18.12.2020, p. 107).

27. highlights how high labour taxes are a strong disincentive to applying circular business models; stresses the need to discuss alignment of financial incentives with the goals of an inclusive circular economy, for instance by looking into shifting taxation from taxing labour to taxing pollution and resource use, while encouraging the phase out of fossil fuel subsidies, and implementing the Polluter Pays Principle as laid out in the Founding Treaties of the European Union and in the EU Green Deal;

28. calls for strengthened technical and financial advisory services that can increase the uptake of circular economy technologies, projects and business models; welcomes the positive examples of advisory schemes for cities and regions such as the European Investment Bank, the Circular City Centre and European Local Energy Assistance. The CoR notes how technical support should be articulated to better welcome smaller and less resourceful local and regional authorities that otherwise risk being left behind;

29. signals that there is a clear need to step up the multilevel dialogue in the EU that promote inclusive and participatory policy design and implementation as the best way to unlock territorial potential. Member States need to effectively engage local and regional authorities as a key component of improved multilevel governance, with legal, administrative and financial competences to become a real driving force for making Green Deal ambitions a reality;

30. notes how the generally small scale and local focus of circular projects may represent a financing challenge, where LRAs can fill in a funding gap for such early-stage circular SMEs and projects through grants, loans or guarantee schemes. The European Investment Bank (EIB) and the European Investment Fund (EIF) offer a variety of financing products and guarantees to meet circular financing needs and have a good track record in financing circular projects. The CoR highlights that such products should be extended and made more easily accessible, as financing needs of young companies with new and innovative circular business models will also increase;

31. notes that in transitioning to a green and transparent circular economy, Green Asset Ratios (GAR) and Taxonomy Alignment requirements of credit institutions (their subsidiaries or affiliates), as specified in the Disclosures Delegated Act under the EU Taxonomy, should be made readily available for LRAs to consult in public procurement processes; calls for incentivising LRAs to use GARs as a central criterion for public procurement ensuring the entirety of the project and its actors are taxonomy-aligned;

32. calls for EU funding streams to be set up that are designed to meet the needs of smaller LRAs or LRAs with limited resources and expertise, with streamlined and simplified application procedures that can reduce administrative complexity and offer fast and simplified technical and financial support, on the basis of promising examples such as TAIEX and the EU City Facility;

33. notes that the emphasis on reducing economic, environmental and social problems across European regions makes the ERDF very relevant from a circular perspective, especially for 'less developed' or 'transition' regions, which often lack the technical and financial resources to implement ambitious circular economy strategies;

34. recalls how circular economy, waste prevention and sustainable waste management are essential to prevent exacerbating global inequalities and environmental injustices, and points out the alarming EU exports of waste to non-EU countries amounting to 32,1 million tonnes in 2022; welcomes the recent provisional political agreement reached by the co-legislators to update the regulation on shipments of waste; urges to maintain the ban for Member States to export waste for disposal to third countries and to export hazardous waste destined for recovery in non-OECD countries.

Leveraging public circular procurement to speed up the transition

35. signals that the procuring activities of both businesses and government institutions play a crucial role in promoting and accelerating the transition to a circular economy, and welcomes the important explicit ambitions for mandatory Green Public Procurement (GPP) included in the Sustainable Products Initiative and the upcoming Ecodesign for Sustainable Products Regulation (ESPR);

36. stresses the relevance of mandatory circular procurement criteria in creating better conditions for using procurement as a catalyst for the circular economy, and highlights that a commitment to developing mandatory sector-specific minimum criteria as per the EU CEAP is an urgent and critical action for scaling circular procurement, allowing LRAs and businesses to build the necessary capacities far enough in advance;

37. emphasises that, through public procurement, LRAs can create demand that triggers the market to develop new offers and be ready to supply circular products and services. Therefore, the regulatory and policy environment needs to encourage LRAs to go beyond minimum standards and make sure frontrunners still have space to innovate. The CoR recalls the successful experience of Local Green Deals as a tool to be further explored and replicated to support engagement of businesses in circular procurement plans and facilitate a participative transition of cities and regions to circular economy;

A fair and inclusive transition to circular economy

38. recognises that building institutional knowledge is a key lever to accelerate implementation of circular economy policies. LRAs often need more dedicated staff, with a broader set of skills and greater knowledge regarding various material value chains, including construction, textiles, food, water and plastics. Additionally, critical skills such as facilitating, convening stakeholders, effective communication, and collaboration will increasingly be required by LRAs. Considering the above, national governments and EU institutions should increase technical assistance to LRAs to facilitate the use of climate funds and financial resources from all sources, reinforcing capacity building and targeted training programmes;

39. welcomes the Commission Communication on Enhancing the European Administrative Space (ComPAct), which proposes concrete actions to help public administrations meet the needs of people and businesses across Europe; calls on the Commission to go further by setting up national programmes and an EU level coordination mechanism to develop training offers for local and regional civil servants, and pool resources from existing programmes such as Interreg Europe and Erasmus+;

40. stresses the need for that circular economy policies should emphasise the need for a fair and inclusive transition; recognises the need to define what a fair and inclusive transition means, including how local and regional transitions will demand the reskilling and upskilling of workers, and asks that implementation of Green Deal objectives include EU workforce readiness to adapt to circular business models, enabling circular jobs (e.g. in education, design and digital technology) and indirect circular jobs (e.g. in information services and logistics) to be created. Closing the digital skills gap could improve resilience of regional economic systems and would allow for a shift from traditional unsustainable production structures to more innovative ones.

41. underlines that investment in and support for education and Vocational Education and Training reforms should be a high priority and should be designed to align the pursuit of circular economy strategies with skills provision and wider economic development policy. Greater financial support and pooling of resources from existing programmes such as the European Social Fund (ESF) and Erasmus+ are needed to develop indicators measuring the quality and quantity of circular jobs and sustain greater provision of Vocational education and training (VET) opportunities, as well as to encourage companies to step into public-private cooperation partnerships, such as centres of vocational excellence or hubs;

42. emphasises how social economy organisations have played pioneering roles for decades in shaping and expanding circular economy practices through activities such as electronics and textile recycling, reusable consumer goods, and repair and remanufacturing activities. The CoR points to cities and regions' pivotal role in leveraging the social economy's contribution by developing cross-cutting policy measures combined with joint budgets and appropriate support, exploiting the expertise of social economy organisations to develop upskilling and reskilling strategies and supporting improvement of working conditions, and reinforcing the inclusion of sustainable criteria in public procurement to boost market demand.

Brussels, 20 June 2024.

The President
of the European Committee of the Regions
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