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## **A Circular Economy for a New Industrial Strategy**

### **Joint declaration of PES ministers responsible for industry and the internal market**

We share the objective to reduce demand for primary resources and become more efficient in our production and consumption, in order to meet our needs for the green transition while simultaneously limiting the environmental impact of resource extraction, notably across the Global South. This is why European Commission Executive Vice-President Frans Timmermans presented the Circular Economy Action Plan in 2020, setting out the steps on our path towards a circular economy.

We need to fundamentally reform our economic model and industrial strategy to promote planetary health, energy efficiency, social justice, and open strategic autonomy. Critical raw materials are central to that. Russia's invasion of Ukraine and the supply chain disruptions we experienced during the Covid-19 pandemic add a new de-risking dimension to the transition towards a circular economy.

Technologies for the green and digital transitions require a range of raw materials that are not found in Europe. There is also an issue of competitiveness and social acceptance for extraction of raw materials that are available in Europe. For that reason, we are heavily dependent on material supply from a small number of countries, making us vulnerable to accidental or intentional supply chain disruptions. For 8 of the 34 raw materials classified as "critical", the EU imports over 65% of its supply from a single country. Increasing the use of secondary raw materials as well as production of certain primary raw materials from alternative sources such as biomaterials, where feasible, will ensure that we cannot be blackmailed on our path towards a climate-neutral Europe. In addition to promoting sustainable mining in the EU, we must work with likeminded partners, including in Latin America and Africa, to develop raw material value chains on a mutually beneficial equal footing.

This shift is not about a technical fix. We are calling for a fundamental transformation of our mindsets, economies, and industries along the entire value chain of products. At the same time, we also call for appropriate support programmes for our companies, especially our small and medium enterprises, to ensure that they remain competitive, particularly in view of other economic blocs, and that they are not burdened with counterproductive and disproportionate measures and regulations.

First, new products should have circular design, which means a long life-expectancy, to be fully recyclable, be chemically safe, and be made as much as possible from recycled material. An ambitious Ecodesign Regulation with a consumer-centric approach can set the right framework to promote durable, reusable and recyclable products. The existing ecodesign requirements have already saved consumers €120 billion in energy expenditure in 2021 alone. Applying them to almost all products on the EU market will be a great move forward. We must



ban the destruction of unsold electronics items to avoid unnecessary waste of critical raw materials. To incentivise the use of secondary raw materials, we must prioritise their use in public procurement and public calls (for example for R&D) and introduce adequate producer responsibility fees.

Second, we need to enable the re-extraction of raw materials by adopting an ambitious Critical Raw Materials Act, including working on social acceptance which is a pre-condition for successfully promoting sustainable mining in Europe. Europe has a great potential to become a leader in urban mining: recovering raw materials in our electronic waste. We can encourage the collection of waste from products with high critical raw materials by introducing discounts, monetary rewards or deposit-refund systems, as proposed in the Critical Raw Materials Act. Research and innovation aimed at increasing options to re-extract critical raw materials from products need to be supported. By introducing a circular product passport, we can ensure that sufficient information on the recyclability of a product is available to recyclers, repairers and refurbishers.

Third, we need to facilitate the development of a recycling industry that creates quality jobs for men and women. We call for a comprehensive retraining and skill development programme as part of an EU Upskill Instrument, to ensure that no one is left behind in this transition. We must ensure safe working conditions and support collective bargaining.

Fourth, we have to set the right regulatory framework for a functioning secondary market for critical raw materials in the EU with harmonised technical specifications or end-of-waste criteria. We must facilitate the availability of standardized high-quality information to market participants, making it as easy to operate on the secondary market as on the market for primary raw materials.

Fifth, we need to close the loop by facilitating the exchange of information along the entire value chain to ensure that technological developments in the raw materials and recycling industries feed back into product design choices and vice versa. We have to work closely with our international partners to ensure that recycling can take precedence over extraction of new raw materials everywhere.

Sixth, we need a fully functioning Single Market based on clear and consistent rules that facilitate and encourage the dissemination of the products, including raw materials, secondary raw materials and waste, as well as the services required to achieve the transition of our economies. The initiatives mentioned above should be based on the principle of solidarity, ensuring easy access to the relevant materials and solutions for all Member States and inclusiveness for all businesses, including SMEs and micro-enterprises.

Seventh, whilst it is crucial for the EU to continue championing the principles of a circular economy, which is not only environmentally responsible but also economically sustainable, we must be mindful of the need to maintain a level playing field for our companies. It is imperative that we take steps to prevent unfair competition from other economic blocs that may not share the same commitment to sustainability. This can be done by pushing more channels of international cooperation which aim to strike a balance between promoting circular economy and safeguarding the competitiveness of our companies through mechanisms that address market distortions, enhance transparency and promote fair trade practices. By doing so, we can ensure that our businesses can thrive in an increasingly globalized and environmentally conscious world, while upholding our commitment to sustainability.

This way, we can move beyond the linear economic model of ‘take-make-consume-dispose’ and short-term profit maximisation that comes at the expense of workers, the environment, and our security. The transition must empower citizens, local economies, and promote non-market alternatives. It must be gender-inclusive, and it must take responsibility for the environmental, social and political harms that resource extraction for use in the Global North has caused in other countries. We have to set the right frameworks and limits for markets to address the needs of people more effectively. A new economic and industrial model has to put people first, promoting sustainability, equality, and resilience.

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