POSITION PAPER

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Circular Economy Act

Introduction

The Circular Economy Act presents a critical opportunity to reinforce circularity through targeted legislation that supports material-efficient and truly circular systems. By complementing the Critical Raw Materials Act, the Net-Zero Industry Act, and the Clean Industrial Deal, the Circular Economy Act stands as a cornerstone of the EU's regulatory framework, helping to secure secondary raw materials within Europe, reduce import dependencies, and strengthen industrial resilience through circular resource loops.

Steel for Packaging Europe (SfPE) offers the following structured position to shape a robust and actionable legislative framework. This paper can be considered an initial reflection document with the objective of helping to draft the future text of the Commission's proposal during the preparation stages.

Key Topics and SfPE Angle

1. **Extended Producer Responsibility (EPR) schemes**

Current EPR systems across the EU remain fragmented and inconsistent. A harmonized approach is needed to ensure that EPR schemes genuinely support the circular economy.

<u>Steel for Packaging Europe's (SfPE) Position</u>:

EPR schemes must evolve into strategic tools that actively reward the use of highly recyclable and circular materials. General minimum requirements for EPR should foster the harmonisation of EPR governing principles, including EPR fees and their eco-modulation, on the basis of transparent, proportional and non-discriminatory EPR-fees, covering the net-costs of collecting, sorting and all other steps prior to recycling of the packaging material it is paid for and taking into account the revenue from sales of the secondary raw material. Also, ring-fencing of EPR revenues is important to be reinvested in the collection and recycling of the same material stream meaning no cross-subsidisation across materials. When it comes to harmonisation it is also key that EPR schemes are essential for effectiveness and comparability across Member States.

<u>Key Angle</u>:

While greater harmonisation across Member States is an important goal, it is equally critical that existing EPR systems are improved to ensure effectiveness and fairness. Specifically, the revised EPR framework should be grounded in the principle that each material stream bears its own net cost of recycling calculated as the gross cost minus the revenue from material recovery. This approach enhances transparency and stimulates the use of circular materials.

2. **Enhance Separate Collection and Eliminate Landfilling**

Effective, material-specific separate collection is key to a circular economy. Steel packaging is highly recyclable, but its circular potential could be undermined when collected with mixed or contaminated waste streams. Valuable

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resources risk being lost if they end up in landfill or are incinerated, unless effective recovery methods such as magnetic separation for steel are in place. Recycling rates figures vary significantly across Member States, often due to gaps in collection infrastructure rather than recyclability challenges. For certain materials such as steel, the potential for high-quality recycling is already well-established. Thanks to its unique magnetic properties, steel can be easily and economically separated from mixed waste streams, enabling efficient recovery and high-quality recycling. EU rules on separate collection, waste sorting labels, and landfill bans are needed to preserve recyclable resources.

Steel for Packaging Europe's (SfPE) Position:

Mandatory and uniformly implemented separate collection of packaging waste is already addressed in the PPWR, as it is essential to prevent material loss and cross-contamination. To address implementation gaps, awareness-raising efforts should be combined with improved and clearer labelling to reduce confusion in sorting. Policy measures should actively discourage landfilling of recyclable materials and instead promote recovery and reintegration of valuable resources into the economy. A clear landfill reduction strategy will ensure that materials like steel are not lost but recuperated, thereby contributing to both environmental and economic goals.

While the PPWR addresses recyclability and packaging design, additional measures are still needed such as phasing out landfill of recyclable packaging materials like steel, aligning with EU waste hierarchy and climate neutrality objectives.

Key Angle:

Economic instruments and regulatory pressure should drive better collection and sorting quality, banning landfilling of recyclable packaging which create material losses.

3. Recycled Content

While recycled content targets may boost demand for secondary materials in some sectors, this is not the case for steel packaging, which already benefits from a well-functioning secondary scrap market. In steel packaging, scrap is distributed broadly due to nearby sites and proximity needs. Therefore, recycled content is not the right indicator of circularity for steel packaging.

A circular economy depends on high-quality material recovery. To achieve the vision of a fully resource-efficient economy, improved access to secondary raw materials and maintaining their quality remain essential. Ensuring the availability of scrap in Europe is critical for closed material loop recycling and for reducing the reliance on primary raw materials.

Steel for Packaging Europe's (SfPE) Position:

SfPE does not support the extension of recycled content requirements to packaging steel. To fully close the material loop of steel, effective and widespread collection remains essential. The focus of policy should therefore be on improving collection systems and supporting better use of end-of-waste criteria to improve the quality of secondary raw materials. Additional efforts are also needed to better categorize different types and qualities of secondary raw materials. Measures such as mandated recycled content targets risk disrupting well-functioning markets and may be counterproductive and unnecessary.

Key Angle:

Since steel is a permanent material, it operates within a closed material loop. Recycled steel from packaging can be used in the production of other high-quality steel products beyond packaging. This flexibility contributes to a truly circular material economy. Recognising the importance of maintaining scrap availability and quality, alongside effective collection systems, is essential for supporting Europe's transition to a circular economy.

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4. Recognising Steel as a Permanent Material

The Circular Economy Act must acknowledge and support the unique role of permanent materials such as steel, which can be recycled indefinitely without losing its inherent properties. Unlike materials that degrade in quality with each recycling cycle, permanent materials retain their full performance characteristics and enable true material-loops. This is evident in the fact that 75% of all steel ever produced is still in use today.

Steel for Packaging Europe's (SfPE) Position:

Steel is a permanent material that can be endlessly recycled without loss of quality, supporting real circularity and resource efficiency. Waste hierarchy should reflect material performance over multiple life cycles and prioritize permanent materials.

Key Angle:

Legislation should differentiate between truly circular, permanent materials and those with limited potential for multiple recycling. Recognizing steel's permanence would enable better policy alignment with the EU's sustainability ambitions and ensure efficient use of resources over time.

5. Scrap availability

A circular economy relies on the efficient recovery and reuse of materials. While recycling of permanent materials is already well-established, achieving a fully resource-efficient and decarbonised European economy requires better access to high-quality secondary raw materials.

Steel for Packaging Europe's (SfPE) Position:

Ferrous scrap is a critical secondary raw material for low-carbon steel production, supporting both secondary and primary routes. Its availability and quality are essential to meeting Europe's climate targets but remain constrained. EU steelmakers currently use approximately 80 million tonnes of ferrous scrap each year, while exports of 16–19 million tonnes over the past five years, combined with growing demand from planned low-carbon steelmaking projects, could lead to shortages before 2030.

Key Angle:

Enhancing the quality and consistency of secondary raw materials through improved collection, sorting systems is essential. Clear and harmonised EU end-of-waste criteria to support intra-EU trade and protecting EU scrap availability to enable closed material-loop recycling, reduce reliance on primary raw materials, and support industrial decarbonisation.

Policy Recommendations

Harmonised EPR schemes

- EPR fees should be calculated in such a way that they reflect the actual material-specific net costs for collection, sorting and all other steps prior to recycling for every specific material contained in packaging waste and considering the revenue from sales of the secondary raw material. The EPR fees raised by a material should be earmarked to finance and expand further improved collection and sorting of that specific material.
- EPR fee structures should reflect the benefits of materials that can be recycled multiple times, through reduced fees for such materials.

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Enhance Separate Collection and Eliminate Landfilling

- Introduce an ambitious high quality recycling definition.
- Increase the quantity of collection.
- Support landfill bans for recyclable packaging materials like steel and introduce penalties or taxes on the incineration of recyclable materials or mandatory pre-sorting requirements to ensure that recyclable materials are recovered before incineration.

Avoid recycled content targets for steel packaging

- Recognise inherent recyclability and high recycling performance.
- Ensure that high quality recycling is reflected when defining targets and incentives in the upcoming Circular Economy Act.

Recognising steel as a permanent material

- The upcoming Circular Economy Act should formally recognise permanent materials as distinct from those that degrade through repeated recycling. Such materials retain their intrinsic value and essential properties across multiple loops. Acknowledging this distinction will support higher recycling rates, reduce dependence on virgin resources, and encourage truly closed recycling loops by eliminating waste, minimising landfill use, and phasing out incineration along with the resource losses it entails.

Scrap availability

- Ferrous scrap, recognized as a strategic secondary raw material, should be supplied in adequate quantity and quality to satisfy EU demand for both carbon, including high-performance steels. Its accessibility within the EU should not be contingent upon its end-of-waste status.

Conclusion

Steel for Packaging Europe calls for a Circular Economy Act that strengthens circular practices by aligning policy tools such as EPR, separate collection systems, and standards with the real-world performance and sustainability of materials. By embedding these priorities into future legislation, the EU can achieve its Green Deal ambitions while supporting resilient, resource-efficient value chains. The only way to increase circularity will be by setting the (still missing) targets on the high quality and multiple recycling, combined with the increased collection. On the other hand, non-recyclable packaging needs to be gradually phased out.

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