

Brussels, 10 June 2025
(OR. en)

9967/25

ENV 482
COMPET 499
IND 177
ECOFIN 722
RECH 262
COH 97
POLCOM 123

NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	AOB for the meeting of the Council (Environment) on 17 June 2025 Support for recyclers in the current economic context - Information from the Commission

The **EU recycling sector** is calling **for urgent action** to overcome several key challenges that are undermining its competitiveness and long-term viability:

- High energy costs and market volatility;
- The price imbalance between recycled and primary raw materials;
- Unfair competition from low-cost imports, including a perceived lack of transparency about their composition, nature, and quality;
- A mismatch between existing recycling capacity and the still limited demand for recycled content.

This situation is already having tangible **negative effects**:

In 2024, the **growth of the recycling capacity for plastics fell to 2%** and the sector expects a decline in 2025. This trend is particularly alarming, as plastic waste generation in the EU continues to grow and EU sustainability efforts require an increase of the recycling rate of plastic waste. This is particularly relevant for **plastic packaging recyclers**, that despite the increase in the demand of recycled content resulting from the new Packaging and Packaging Waste Regulation, have seen recycling facilities going out of business.

The **textiles recycling sector** is struggling to cope with the oversupply of used textiles (for which there is not enough sorting and recycling capacity) and with the low demand for recycled materials (recycled cotton had an estimated production volume of 319,000 tonnes in 2023 compared to 24.4 million tonnes of virgin cotton globally). In addition, prices for second-hand textiles are decreasing, while the costs of collection, sorting, and recycling have sharply increased. This results in high amount of textiles waste that cannot be properly reused or recycled.

In the **Competitiveness Compass** and the **Clean Industrial Deal** the European Commission has identified the need to further support the circular economy, scale up circular business models, and create a single market for waste, secondary raw materials, and reusable materials. The overall objective is **twofold**: on one hand to create the **enabling regulatory framework** for scaling up the demand of goods, activities and business models relevant for the recycling sector, and on the other hand to **support and stimulate investment** to scale up the necessary infrastructures.

In this respect, the Commission intends to bring forward several actions and initiatives, including the adoption of a Circular Economy Act and the review of the rules on the second-hand scheme contained in the VAT Directive, the upcoming reviews of the Clean Industrial Deal State Aid Framework and of the General Block Exemption Regulation, and to make a fast and efficient use of Trade Defence Instruments such as anti-dumping or anti-subsidy duties.

Additional EU funding will be made available to support industrial decarbonisation and clean tech manufacturing projects, including by committing EUR 6 billion from the Innovation Fund in 2025, and launching a flagship Horizon Europe call of ca. EUR 600 million under the 2026-2027 work programme to support fit-for-deployment projects. In addition, to leverage private investment, the European Commission will propose to amend the InvestEU Regulation in order to increase the amount of financial guarantees that InvestEU can provide to support investments.

In addition to these and to the EU funding available under programmes such as Horizon Europe, Life, and the Single Market Programme, Member States may consider **mobilising Cohesion policy funds**. Under the Cohesion Policy 2021-2027, EUR 8.6 billion of EU funding (12.5 billion total investment) are planned for investment for circular economy and waste management. This includes around EUR 1.5 billion of total investments planned to support projects for facilities for separate waste collection, expected to lead to more than 7 million tonnes/year of additional waste collected separately. Cohesion Policy can support facilities and systems of separate collection, reuse centres, repair networks, other measures to prepare for reuse and recycling, and awareness campaigns. These funds could support scaling up of recycling facilities. SME support could also be provided, for example, to increase resource efficiency and to promote the circular economy. Some regions may support innovation in textiles, including the development of new circular products and services.

To complement the ongoing work, the European Commission invites Member States to take measures that would support the recycling sector overcome the current economic conjecture while driving circularity upwards, including by:

- i. making use of the **flexibility embedded in the EU waste legislation** to accelerate the setting up of national Extended Producer Responsibility (EPR) schemes or, where they exist, to improve swiftly their functioning, in particular when it comes to separate collection systems, to measures increasing the reuse and recycling rates, and to reduce risks resulting from the operational management of hazardous waste;

- ii. raising awareness among and supporting economic operators, including Producer Responsibility Organizations, in applying the Commission guidelines on the removability and replaceability of small lithium-based portable batteries to reduce fire incidents in waste treatment facilities;
- iii. asking their national **customs and market surveillance authorities** and support them to put in place stricter control on imports of recycled plastics and products with recycled content;
- iv. **identifying if further measures are needed** in order to improve the level playing field for primary and secondary raw materials, including under the Trade Defence Instruments toolbox¹, in order to secure a fair competition on the EU Single Markets for both domestic and third country manufacturers and recyclers;
- v. considering **State aids** in line with the EU state aid guidelines for resource efficiency and for supporting the transition towards a circular economy²; and
- vi. accelerate the national transposition and the full and effective implementation of the targeted revision of the WFD introducing EPR schemes for textiles, once it is finally adopted by the co-legislators.

Member States' support in this regard will align with the **European Council conclusions and guidelines for the current political cycle and with Mario Draghi's report on the future of European competitiveness.**

¹ The Commission already adopted anti-dumping measures on certain imports from PRChina and a procedure applicable to similar imports from Vietnam has been launched.

² Circularity is explicitly covered under the 2022 CEEAG (Guidelines on State aid for climate, environmental protection and energy and under the General Block Exemption Regulation.