

Accelerating Europe's Transition to a Circular Economy



Context

The transition to a circular economy is a strategic pillar for the EU's long-term economic security and global competitiveness. As outlined in the Draghi Report, the deployment of circular solutions could increase the EU's trade surplus by 4% by 2050. Despite this incentive, the EU's circularity rate remains stagnant, reaching only 12.2% in 2024. In response, the Commission has announced its intentions for a **Circular Economy Act** in 2026, intended to create a genuine Single Market for waste and secondary raw materials.

In the meantime, given the acute pressures facing the plastics sector, including high energy costs, global competition, and a projected net decrease in recycling capacity, the Commission has launched this specific **Communication on plastics** as a "pilot" initiative. This sets out immediate measures to harmonise rules, protect EU industry from unfair trade, and bridge the investment gap in recycling infrastructure.

Overcoming Market Fragmentation: Mechanical and Chemical Recycling

A primary obstacle to a circular plastics economy is the lack of harmonised rules for the free movement of recycled materials, which creates a fragmented market and imposes high administrative costs on operators. To address this, the Commission is introducing two distinct regulatory frameworks:

Mechanical Recycling and End-of-Waste Criteria

The Commission is presenting an implementing act under the Waste Framework Directive to establish EU-wide end-of-waste criteria for mechanically recycled plastics. Once adopted, these rules will allow recycled plastics that meet specific quality and safety criteria to be reclassified as products rather than waste. This change is intended to:

- Facilitate the seamless circulation of recyclates across all 27 Member States.
- Support a stable supply of high-quality secondary raw materials.
- Reduce the administrative burden for recyclers, particularly SMEs.

Chemical Recycling and Mass Balance Allocation

Recognising that mechanical recycling alone cannot process all plastic waste streams, the Commission is providing legal certainty for chemical recycling. The key measure is the introduction of 'mass balance allocation rules'. These rules are essential for:

- Determining how much chemically recycled output can be counted toward mandatory recycled content targets.
- Implementing the targets under the Single Use Plastics (SUP) Directive, which mandates 25% recycled PET in bottles by 2025 and 30% in all beverage bottles by 2030.

- Unlocking an estimated €8 billion in planned private investments in chemical recycling.

A Fairer Market and Trade Protection

The EU plastics recycling sector is currently being undercut by cheap imports, including virgin plastics falsely claimed to be "recycled". The Commission is committed to a level playing field through several enforcement and trade measures:

- **Trade Defence:** The Commission will initiate investigations into dumped or subsidised imports where evidence of injury to EU industry exists. Currently, anti-dumping measures are in place against PET imports from China and anti-subsidy duties against India.
- **Customs and Monitoring:** To distinguish recycled materials from virgin plastics at the border, the Commission will work toward creating separate customs codes for recycled polymers.
- **Import Surveillance:** A newly created Import Surveillance Task Force and a dedicated monitoring system for industrial chemicals will track market surges.
- **Food Contact Materials:** An amendment to Regulation (EU) 2022/1616 will introduce stricter compliance documentation for imported recycled plastics intended for food contact, ensuring they meet EU standards.
- **Global Audits:** The Commission will conduct audits of recycling installations outside the EU and train customs laboratories to verify "recycled" claims.
- **Waste Export Ban:** From November 2026, the export of plastic waste to non-OECD countries will be banned, forcing the EU to handle its own waste streams and creating an opportunity for domestic recyclers.

Boosting Investment and Innovation

The Commission estimates an annual investment gap of €82 billion for the circular economy. Key initiatives to bridge this gap include:

- **Trans-Regional Circularity Hubs:** A pilot under the Competitiveness Coordination Tool to bring together manufacturers and waste operators across borders to achieve economies of scale.
- **EIB Support:** The European Investment Bank (EIB) will introduce a dedicated Circular Economy Orientation in 2026 and promote a "Team Europe" approach to financing.
- **Regulatory Streamlining:** The newly adopted Regulation on Accelerating and Streamlining Environmental Assessments will simplify permitting for recycling and waste-prevention infrastructure.
- **R&I Funding:** Continued support through Horizon Europe and the Innovation Fund.

Summary of Proposed Measures and Timelines

Measure	Description	Timeline
Mass Balance Rules	Setting calculation rules for chemically recycled content under the SUP Directive.	Q1 2026
End-of-Waste Criteria	Implementing act for harmonised mechanical recycling criteria.	Q1 2026
Circular Plastics Alliance	Relaunch and agreement on a 2026 workplan to address sector crises.	Q1 2026
FCM	Amendment for stricter import compliance for food-contact plastics.	Q2 2026
Customs Codes	Request for separate codes for recycled polymers to improve monitoring.	Q2 2026
Circularity Hubs	Pilot for Trans-Regional Circularity Hubs under the Competitiveness tool.	Q1 2026
Impact Study	Launch of a study on macro-economic indicators for the circular economy.	Q1 2026
Waste Export Ban	Ban on plastic waste exports to non-OECD countries.	Q4 2026

Malta Perspective

For the Maltese businesses, the Commission's focus on plastics circularity carries significant weight, particularly given the island's waste management challenges and the structure of its economy. The drive to improve plastic sorting and recycling efficiency aligns with Malta's urgent need to divert materials from landfills and manage its own waste streams.

As most Maltese businesses are SMEs, the proposed reduction in administrative burdens, specifically the harmonised end-of-waste criteria and the streamlining of environmental assessments, is crucial. While Malta's scale may limit large-scale mechanical recycling, the Commission's support for chemical recycling and the pilot for Trans-Regional Circularity Hubs may offer opportunities for Malta to partner with other Mediterranean regions to process complex waste streams that currently lack a local market.

Furthermore, given the heavy reliance on the hospitality sector, the recycled content targets and the rules for food-contact materials will directly impact Maltese importers and food manufacturers. The MBB emphasizes the need for support to help local businesses to adapt early to these standards to maintain supply chain resilience.

The full proposal can be found [here](#).

Disclaimer: This is a policy brief to create awareness about the legislative proposal(s) and for information purposes. It is not an official position of the Malta Business Bureau.

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