



Circular Cities Frontrunner Group

Policy Brief on Accelerating the Circular Economy for a Prosperous and Competitive Europe



On two plots in Sloterdijk III (Amsterdam), vacant land is being used to grow raw materials for biobased materials (in this case: rapeseed). A great example of a circular economy

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Introduction

Europe stands at a critical juncture. The cost of living, inflationary pressure and energy insecurity have created challenging circumstances for citizens and businesses across the Union and beyond. The EU must act decisively to keep Europe safe and secure, expand access to effective public services to address some of the key issues like housing, sustainable mobility, and tackle the planetary crises of pollution and waste, biodiversity loss, and climate change.

The transition to a circular economy is part of the solution. By designing out waste and pollution, extending product lifecycles and regenerating natural systems, we can deliver on climate and environmental goals, improve economic prosperity and strategic autonomy, and achieve greater energy and material independence.

Cities have a fundamental role to play in driving the circular economy transition. It is in cities where most products and materials are consumed and discarded, making urban centres key arenas for action on resources and materials. In addition, cities develop the necessary infrastructure on which businesses depend, local governments procure circular goods and services, and support local entrepreneurs. Across Europe, the circular economy is already becoming a reality at the local level.

However, the EU is falling short of its ambition on the circular economy. At the current pace of improvement, the European Environment Agency (EEA) has warned that the EU is not on track to reduce Europe's resource consumption footprint and double recycled material use by 2030, two core ambitions of the Circular Economy Action Plan.¹

This is because cities face a series of structural challenges along the way. The transition demands wide-ranging changes in consumer behaviour, while credible circular enterprises are struggling to compete with and scale up against dominant linear business models. Building the enabling infrastructure to close loops and circulate resources requires significant investment.

Further action is needed to unlock the full potential of the circular economy in Europe. To support the development of the upcoming Circular Economy Act—and other key legislation—this policy brief outlines nine policy demands from cities, aligned with the Clean Industrial Deal and organised around three main priorities:

Elevate the ambition of circular economy to reap co-benefits

1. Harness circular economy to cut consumption-based emissions
2. Reduce material consumption to enhance Europe's strategic autonomy
3. Ensure the transition to a circular economy is just and inclusive, leaving no one behind

Strengthen support to cities for scaling-up the circular economy

4. Ensure a multilevel governance approach in policy development and implementation
5. Shift funding from piloting towards scaling-up
6. Build capacity in cities to support circular economy implementation

Mobilise economic policy instruments to promote circular economy approaches

7. Build the case to reform the linear tax system
8. Leverage public procurement to provide a launch market for circular businesses
9. Send clear signals to de-risk private investment

The following sections provide a detailed overview of each priority, outline the challenges faced, and include illustrative case studies of city responses along with policy recommendations.

¹ European Environmental Agency, [Accelerating the Circular Economy in Europe](#)

Who are we?

The Circular Cities Frontrunner Group is an informal group set up by the city of Amsterdam, with the support of ICLEI Europe and the Ellen MacArthur Foundation. It brings together **Amsterdam, Copenhagen, Leuven, Malmö, Milan, Porto, Rotterdam, Turku, Utrecht, Vitoria-Gasteiz and Växjö**—all committed to accelerating the transition to a circular economy. This policy brief builds on their challenges and best practices and follows an [open letter](#) that was shared with newly elected MEPs and the European Commission in October 2024.

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ELEVATE THE AMBITION OF CIRCULAR ECONOMY TO REAP CO-BENEFITS



Hospitality venue De Vondeluin in the Vondelpark (Amsterdam), constructed entirely from reused and sustainable materials. April 22, 2024. Photograph by Edwin van Eis.

1. Leverage circular economy to cut consumption-based emissions

Why does it matter?

The Clean Industrial Deal aims to turn decarbonisation into a driver of growth for European industries in the face of increased energy prices and global competition. **However, to fully realise this potential, EU policy needs to evolve to take a more comprehensive view—one that includes our growing consumption-based emissions driven by international trade.** By broadening the focus beyond domestic emissions alone, we can ensure that climate action truly reflects our environmental impact, while also strengthening local economies. Forward-thinking cities like Amsterdam, Malmö, Copenhagen, and Leuven—all Mission cities²—are already leading the way by integrating consumption-based emissions into their strategies. Their efforts show how a more holistic approach can unlock new opportunities for innovation, job creation, and sustainable growth across Europe.

Consumption-based emissions are related to the way in which products, materials, and food are designed, produced, and used³: that is why circularity is a key lever to achieve decarbonisation. By nature, these activities take place outside of city boundaries, which 'import' most of their goods, food and services. Getting the full picture of a city's true climate footprint is therefore challenging, and consequently, city climate action plans tend to only focus on GHG emissions generated within the city boundaries (Scope 1) and off-site emissions resulting from the production of the energy consumed by the city (Scope 2). In practice this means that actions aimed at keeping materials in use—thus aimed at reducing emissions generated by extraction and production—are not prioritised in climate action plans, leaving this potential for reaching climate neutrality untapped⁴.

How are cities responding?

- **Amsterdam** - In Amsterdam circular economy is fully integrated into climate policy. Its last Circular Economy Monitor—a live database and dashboard that tracks materials flows—estimates that between 70 -to 90 % of total emissions are in fact consumption-based emissions.
- **Malmö** - Malmö's target is to reduce consumption-based emissions to 3.1 tons per capita by 2030 (from the current 6.2 tons per capita) while circular economy is one of Malmö's 7 transformation areas identified to achieve decarbonisation.
- **Copenhagen** - The city is developing a new climate strategy 2026-2035 which includes a goal to halve consumption-based emissions by 2035. Ambitious measures around reuse or recycling are already being implemented due to their emission reduction potential.

Our recommendations to European policymakers

- Fully integrate consumption-based emissions into EU climate policy, considering national and subnational levels, including via the EU Mission for Climate-Neutral and Smart Cities and the Covenant of Mayors.
- Establish standardised methods for measuring consumption-based emissions, particularly at city level and provide guidance and build capacity for monitoring and mitigating consumption-based emissions in cities.

² The European Commission, EU missions, 100 climate-neutral and smart cities

³ The Ellen MacArthur Foundation, The circular economy: a missing piece in city climate action plans?

⁴ EU climate Advisory Board, Towards EU climate neutrality: progress, policy gaps and opportunities

2. Reduce material consumption to enhance Europe's strategic autonomy

Why does it matter?

Globally, increasing resource use is the main driver of the triple planetary crisis: climate change, biodiversity loss, and pollution⁵. In the EU, the material footprint—the amount of material resources (fossil fuels, minerals, non-metallic minerals and biomass) extracted for goods and services consumed by EU citizens—albeit stable, remain high⁶: our economy is still based on intensive and highly unsustainable material consumption. **Consequently, reducing material consumption should be the ultimate goal of a circular economy.** By working towards this goal, it will be possible to harness co-benefits like decarbonisation, reversing biodiversity loss, and the elimination of pollution.

EU circular economy policy has yet to demonstrate how it will reduce material consumption. **Despite ambitious measures such as the Eco-design for Sustainable Products Regulation, EU policy towards cities remains focused on waste management.** There is no evidence or assessment on how current and future measures will contribute to reducing consumption of virgin materials in different sectors, while demand-side policies that effectively drive consumption down are missing. At city level substantial hurdles remain to think beyond waste and facilitate absolute material decoupling: scarcity of data and difficulty to assess material footprints at product level and at city level, and lack of an enabling framework that would effectively discourage the use of virgin materials.

Reducing material consumption would ultimately improve the EU strategic autonomy. In a context of growing competition for critical resources, of increasing scarcity and extraction costs, reducing material consumption will reduce Europe's reliance on other regions and will improve the bloc's resilience—while reducing environmental and social impact elsewhere.

How are cities responding?

- **Amsterdam** - The City of Amsterdam has pledged to reduce the use of new materials by 50% by the year 2030. By setting material consumption reduction targets, the city is taking a proactive approach to drive high-impact actions around prevention, reuse or repair, in strategic sectors like the built environment, food, or consumer goods.
- **Vitoria-Gasteiz** - Similarly, reducing raw material consumption (per capita) and improving the material productivity are two strategic objectives of the city's strategy.
- **Copenhagen** - To understand local material consumption patterns, and identify new possibilities for sharing, reducing, reusing and recycling resources in the city, Copenhagen is currently carrying out its first Material Flow Analysis. Findings will support reductions in both material consumption and generation of waste.
- **Province of Noord-Holland** - The Circular Deal Secondary Construction Materials is a groundbreaking initiative that significantly promotes circularity in the construction sector through binding agreements on circular demolition criteria (or circular "harvesting" criteria), cooperation within the chain and knowledge sharing.

Our recommendations to European policymakers

- In the upcoming Circular Economy Act, respond to the Council conclusions from June 2024 ⁷and establish legally binding material footprint reduction targets at the EU level. Develop sub-targets for specific categories of materials.

⁵ International resource Panel, *Global Resource Outlook 2024*

⁶ European Environmental Agency, *Accelerating the Circular Economy in Europe*

⁷ Council of the EU, *The 8th Environmental Action Programme Mid-term Review - The way forward to a green and just transition for a sustainable Europe - Council conclusions*

- Mandate the development of a standardised EU-wide methodology for assessing material footprints at the city and product levels to ensure effective target-setting and monitoring. These methodologies should also look at how data collection and management can be standardised at city level.
- Encourage cities to voluntarily assess their own material footprint and provide direct support and capacity building for cities and their local stakeholders, including knowledge exchange mechanisms.

3. Ensure the transition to a circular economy is just and inclusive, leaving no one behind

Why does it matter?

Competitiveness shouldn't be achieved at the expense of the fair and just transition. **It is clear to cities that Europe's economic, environmental and social objectives cannot be separated:** that is why we stand by the European Alliance for a Just Transition position and its recently released [vision](#).

Circular economy has the potential for creating 500,000 jobs by 2030⁸. **Yet, whether the circular economy has a positive social impact for citizens, communities and cities remains rather underexplored.** Beyond job creation, it will be important to assess this social impact. This assessment should in turn support the integration of the circular economy in upcoming social policies and relevant legislation.

Additionally, across Europe and value chains, the circular economy has been pioneered by social enterprises—entities that put social and environmental purposes first. **More often than not, cities rely on the experience, the expertise and the commitment of social enterprises to close, slow and shorten material loops.** Social enterprises additionally play a strong social role, creating jobs, bridging with communities and developing skills through vocational training. This role should be reflected in upcoming EU policy.

How are cities responding?

- **Amsterdam** - To measure the social impact of the circular transition and ensure that no city resident is left behind, Amsterdam's Monitor includes a series of social indicators, based on the [City Doughnut](#). An [additional model](#) is being developed to measure extraterritorial social impact.
- **Malmö** - Launched in 2022, the [Malmö commitment](#) aims to empower local government to place people and social equity at the heart of sustainable development. In Malmö, this is reflected through a focus on the sharing economy, with an emphasis on promoting sustainable actions that are accessible to all.
- **Porto** - The [ReBOOT project](#) is about skill building and refurbished ICT. The city, together with a circular startup, provided comprehensive IT training to over 80 residents who repaired more than 600 devices, which were in turn donated to social economy institutions. Building on these positive results, the city then set up the public service [EcoPorto](#) to scale up ICT, furniture and small appliances refurbishment.
- **Milan** - Recognised as essential to local communities, [social and proximity enterprises](#) are getting direct support from the municipality and are in turn actively contributing to the implementation of its [circular economy action plan](#) in the fashion and design sectors.

Our recommendations to European policymakers

- Assess and demonstrate the social impact of the circular economy in order to inform decision making, potentially as part of the announced European Fair Transition and Skills Observatories.
- Ensure that the circular economy is well integrated in the upcoming legislation part of the Union of Skills and European Pillar of Social Rights, and establish the circular economy as an enabler for achieving the principles of the European Pillar.
- Recognise the pioneering role played by Social Economy actors:

⁸ European Commission, [The Clean Industrial Deal](#)

- by making them eligible to support mechanisms for financing (Competitiveness Fund) and capacity building.
- by associating them closely to the development of upcoming legislation, such as the Union of Skills, the Quality Jobs Roadmap, the European Skills Guarantee, or the Circular Economy Act.

STRENGTHEN SUPPORT TO CITIES FOR SCALING UP THE CIRCULAR ECONOMY



Installation of a green roof on the Poortgebouw of the
Tolhuistuin in Amsterdam. April 4, 2024. Photograph by
Edwin van Eis.

4. Ensure a multilevel governance approach in policy development and implementation

Why does it matter?

Cities and regions implement 70% of EU legislation⁹; yet their role in shaping policies has been underutilised. **When it comes to the circular economy, it is clear that cities and regions are driving the transition.** Across sectors, from packaging to construction, cities and regions develop strategies, engage with their stakeholders to pilot and roll-out pioneering solutions. Examples from signatories of the [Circular Cities Declaration](#) or the [OECD case study series](#) demonstrate it clearly.

Yet the crucial role that cities and regions play hasn't yet been reflected in the recently published Clean Industrial Deal, especially in the section related to the future Circular Economy Act. Involving cities and regions is important for two reasons. First, as implementers they can improve the feasibility of the Circular Economy Act, strengthen its territorial dimensions, and direct the effort towards the most impactful measures. Second, as frontrunners they have a lot to share in terms of experience and best practices, this should be taken into account when developing the new Act.

Beyond the Circular Economy Act, **the success of the Clean Industrial Deal will depend on how it is translated and implemented at the local and regional level**¹⁰. Sound multilevel governance structures to align policies at all levels of government are needed. At national level it will be paramount for cities to be associated with the development of national plans, while for cities and regions it will be crucial to work hand in hand and develop joint territorial strategies. Cities can play a stimulating role and support the upscaling of circular economy; however this role ultimately depends on having the right policies in place at both EU and national level.

How are cities responding?

- **Amsterdam** - Through initiatives like the [Dutch Circular Textile Valley](#) or [ASSET - A Spatial Strategy for the Eurodelta, boosting a circular built environment](#), the city has put multilevel governance and collaboration with other tiers of government at the core of its transition to a circular economy.
- **Turku** - Integrated territorial strategies are common practice for the city of Turku and the Southwest Finland region, be it on [circular economy](#) or on [smart specialisation](#) at the regional level.

Our recommendations to European policymakers

- Improve multilevel governance structures, especially through the Competitiveness Coordination Tool announced in the Competitiveness Compass to align policy implementation across the EU, national, regional and local levels. This should include formal representation in legislative discussions, funding for local pilot projects, and mechanisms to assess policy feasibility at the local or regional level.
- In line with the Competitiveness Coordination Tool, ensure that cities are actively involved in the development of the upcoming Circular Economy Act.
- Promote and support integrated territorial strategies between cities, regions and national governments as well as cross border cooperation.

⁹ European Committee of the Regions, [EU Annual Report 2024, The State of Regions and Cities](#)

¹⁰ The potential of cities (and regions) is captured in ESPON (2019), CIRCTER – Circular Economy and Territorial Consequences, Final Report.

5. Shift funding from piloting towards scaling-up

Why does it matter?

Cities are at the forefront of implementing circular economy solutions and driving systemic change at the local level. EU funding— particularly Horizon Europe—has been instrumental in supporting the piloting of circular economy solutions in cities and cities' access to the future Competitiveness Fund should be maintained.

Piloting is key, however without scaling the circular transition won't happen. Several cities have struggled to scale up or even continue pilot projects due to a lack of long-term funding, or a lack of funding to cover crucial dimensions such as operations or end of life—all excluded from Horizon Europe. Cities report challenges in accessing national or EU funds, either because these funds are controlled at higher levels of government or because circular economy initiatives are not sufficiently prioritised within many national and regional funding frameworks. True multilevel governance, in other terms the mainstreaming of partnership principle across all EU funds, as well as better coordination with research and innovation programmes would greatly support the upscaling of circular economy in cities¹¹.

In the context of discussions around the next Multiannual Financial Framework, **it is important to remember that more than half of total government public investments come from cities and regions**¹². As emphasised by the Local Alliance, this calls for a place-based budget around a strong cohesion policy, which recognises circular economy as a strategic priority.

How are cities responding?

- **Milan** - One key result of the Centrinno project was to provide a clear assessment of the investment needed for the circular economy in the city. However, the lack of continued funding for scaleup and the lack of support from the regional government greatly undermined the sustainability of Centrinno's achievements.

Our recommendations to European policymakers

- Ensure that the Cohesion Policy remains at the heart of the next EU budget and a continued access for cities to Cohesion Policy Funds (such as European Structural and Investment Funds) continues. Cities, especially smaller size cities or cities with limited human resources, should also receive more technical assistance in accessing these funds
- Improve coordination between any future Competitiveness Fund and "structural funds" (such as Cohesion Policy Funds) to ensure the mainstreaming and upscaling of circular solutions.
- Introduce dedicated funding streams within the Competitiveness Fund and Cohesion Policy Funds specifically for cities, ensuring direct access without requiring national-level intermediaries. Establish a mechanism to streamline application processes for local governments.
- Ensure that the next Multiannual Financial Framework (MFF) and EU competitiveness policies explicitly account for the territorial dimension, enabling cities to access the future Competitiveness Fund, as well as research and innovation programmes that will follow Horizon Europe, LIFE and similar funds to enable them to innovate and test together with academia, industry and SMEs.

¹¹ European Court of Auditors, Special report Synergies between Horizon 2020 and European Structural and Investment Funds, not yet used to full potential

¹² European Committee of the Regions, EU Annual Report 2024, The State of Regions and Cities

6. Build capacity in cities to support circular economy implementation

Why does it matter?

Achieving a circular economy requires a systemic transformation that cuts across sectors and policy areas. It is often presented as the adoption of a set of new technologies—and indeed cities need support in identifying and investing in the right technologies. Initiatives like the Circular Cities and Regions Initiatives have been instrumental in developing and disseminating this technical knowledge.

However it goes beyond technologies and the policy aspects of the circular transition are often overlooked in support schemes. Cities need guidance for embedding circular economy within their strategic documents and integrated planning. They need help for navigating a complicated and changing regulatory landscape. They need support and guidance to overcome governance and organizational challenges, internally as well as in relation with other levels of government. They need advice for engaging with local stakeholders and for supporting their local circular businesses.

Support for monitoring progress, assessing the impact and evaluating their policies is also crucial. Across Europe, cities struggle to identify standardised indicators to measure circular economy progress beyond waste management. This challenge is exacerbated by a lack of local-level data, misalignment with EU-wide monitoring frameworks, and limited technical capacity for data collection and analysis. Data is key, but most data isn't available at the local level, while cities don't necessarily have the capacity to collect it and exploit it.

How are cities responding?

- **Malmö** - As part of its [Resource Hub](#), the municipality itself is building capacity among local businesses with the addition of a Resources Coaching service. Participants receive support to improve their resource efficiency, while seminars and workshops on how to receive external funding are now available to circular businesses.
- **Amsterdam** - Set up by Amsterdam, and supported by a number of Dutch cities and provinces like Rotterdam, [CircuLaw](#) shows local governments how to accelerate the circular transition by offering legal instruments based on Dutch legislation in specific value chains and also providing insight into European legislation.

Our recommendations to European policymakers

- Embed the circular economy as a cross-cutting priority in all initiatives part of the EU Policy agenda for Cities. Streamline existing support schemes and make them accessible to smaller cities, with further technical assistance, training and guidance.
- Develop a standardised EU framework for local circular economy data collection, aligned with the EU Data Strategy and Circular Economy Monitoring Framework. Provide technical and financial support to cities for implementing robust monitoring systems and sharing best practices. Any proposed new mandatory measure should be evaluated on the following basis: Has the measure been successfully applied at local, regional or national level? Is the measure suitable for local governments of all sizes? What kind of technical support and capacity building measures, as well as financing mechanisms should accompany the implementation of such a monitoring framework?



MOBILISE ECONOMIC POLICY INSTRUMENTS TO PROMOTE CIRCULAR ECONOMY APPROACHES

Buiksloterham, a neighbourhood in Amsterdam developed according to circular principles. April 22, 2024. Photograph by Edwin van Eis.

7. Build the case to reform the linear tax system

Why does it matter?

Across sectors, cities report that secondary raw materials remain more expensive than virgin raw materials, undermining the economic viability of circular projects. Negative externalities of extraction and end of life are not reflected in prices, and secondary materials usually require labour-intensive treatment and repurposing. Until this “market failure” is resolved systemic change will be difficult to achieve.

Fiscal measures can be adopted to support establishing a level playing field for circular materials and businesses, including higher taxes for virgin materials, or tax reductions and incentives for secondary raw materials. As such we welcome the announced review of the rules on the second-hand scheme contained in the Value-Added Tax (VAT) Directive which aligns with the EU’s broader efforts to promote circular business models under the Green Deal and Circular Economy Action Plan. To effectively support the transition to a circular economy, this review should also include all secondary raw materials that have been repaired, remanufactured or recycled, while VAT tax rates should be aligned with the waste hierarchy to favour the most circular solutions.

Beyond VAT or environmental taxation, a broader shift is needed for the tax system to truly support the circular transition. That is why we support the Ex’Tax Project, which produced a [roadmap with 20 measures](#) to shift the tax burden away from labour towards pollution and resource use. We acknowledge that taxation is a prerogative of the Member States, but the EU nevertheless has a crucial role to play to promote and coordinate the transition to a circular tax system, including avoiding any first-mover disadvantage for Member States introducing fiscal reforms.

How are cities responding?

- **Vitoria-Gasteiz** - With the goal of establishing a tax model based on sustainability criteria, the Municipal Tax Ordinances of Vitoria-Gasteiz include tax benefits for citizens and businesses on municipal taxes and fees. For example, the city has implemented a discount on the waste collection fee for those who use the organic waste container, or on the municipal Economic Activities Tax for companies that implement measures related to renewable energy and other actions with positive environmental impact.
- **Porto** - The city is developing an Environmental Classification Index for private developments. The index evaluates how developments fare with regard to biodiversity, energy efficiency, renewable energy production, water drainage and permeability, as well as circular economy principles and carbon impact. Projects with a good score get a reduction on the urban infrastructure tax developers usually pay.

Our recommendations to European policymakers

- Through the European Commission’s recommendations to Member States on corporate tax, extend exemptions to businesses and solutions that effectively reduce their material footprints.
- Include all secondary raw materials that have been repaired, remanufactured or recycled in the review of the second-hand scheme of the VAT Directive and ensure that these tax exemptions or reductions will be sufficient to establish a level playing field with virgin materials. Ensure that new VAT rates are aligned with the waste hierarchy.
- Develop EU-level guidelines for Member States on implementing environmental tax reforms that incentivise circular business models. Encourage harmonisation to prevent market distortions and ensure that early-adopting countries are not at a competitive disadvantage.
- Consider recommendations from Ex’Tax and promote a budget-neutral tax shift towards taxing environmental impact and lowering the tax burden on labour.

8. Leverage public procurement to provide a launch market for circular businesses

Why does it matter?

With public procurement accounting for 14% of the EU's GDP, it is a crucial lever for change. Strategic Public Procurement (SPP) can drive circular innovation in material choices, business models and infrastructure development. Used effectively, it can deliver financial savings over the full life cycle of a contract and crucially achieve positive social and environmental outcomes.

Public procurement directives play a crucial role in accelerating the transition to a circular economy by shaping market demand for sustainable products, services, and infrastructure. A revision of these directives presents an opportunity to embed stronger circularity requirements, ensuring that sustainability and resource efficiency take precedence over cost alone. Key updates could include mandating in certain product sectors procurement decisions that have significant environmental impacts, setting minimum thresholds for the use of secondary materials, and simplifying procedures to enable innovation and launch a market for circular businesses.

How are cities responding?

- **Vitoria-Gasteiz** - Vitoria-Gasteiz is implementing a circular public procurement system as part of its Circular Economy Strategy (2024-2027). The process includes three phases: establishing a framework to incorporate circularity criteria in contracts, creating guidance to ensure compliance with these criteria; and developing training and awareness programs for suppliers.
- **Malmö** - In 2021, Malmö became the first Swedish municipality to hire a circular coordinator within its procurement unit. Since then, the position has become permanent, and the city has integrated circular strategies into various procurements, including food, ICT, furniture, baby strollers, and construction and demolition.
- **Milan** - Through the application of CAM (Criteri Ambientali Minimi), Milan actively integrates circularity into its procurement processes. For instance, on Durability, Reparability & Reusability, CAM criteria often require products and materials to be long-lasting, easily repairable, and modular, aligning with the circular principle of extending product life.

Our recommendations to European policymakers

- Strengthen Engagement with Contracting Authorities to Embed Circularity in public procurement. This should involve assessing both quantitative and qualitative evidence on the impact of circular procurement practices, such as prioritising secondary materials, extending product lifespans, and integrating life-cycle costing approaches. The Commission should facilitate dedicated pilots and regulatory sandboxes to test circular procurement models and generate first-hand evidence on the effectiveness of circularity-driven regulatory changes.
- In the evaluation and reform proposals for the Directives, ensure that concepts such as Most Economically Advantageous Tender (MEAT), life-cycle costing, ecolabels, and sustainability criteria explicitly promote circularity.
- Consider stronger mandatory SPP measures to accelerate the circular transition, supported by detailed evaluations of costs and benefits. A key area for intervention includes: requiring the calculation and monetisation of material footprints alongside GHG emissions in all contracts related to infrastructure, aligning with whole-life carbon assessment requirements under the Energy Performance of Buildings Directive. This would encourage the use of low-impact, circular materials. For any proposed mandatory SPP measures, ex ante evaluations should ensure effectiveness and proportionality. To equip public buyers, tools and standards should be provided in sectoral legislation such as the EPBD.

- Enhance Pre-Procurement Activities to Stimulate Circular Innovation: Articles 40 and 41 of Public Procurement Directive 2014/24/EU should be revised to explicitly promote circularity considerations in pre-procurement activities, including needs assessments and market engagement. Market engagement should be made mandatory for high-value or strategic tenders, requiring the inclusion of environmental and circular economy criteria in market consultations. Contracting authorities should be encouraged to use market dialogues to evaluate the readiness of suppliers to deliver circular solutions, assess skills gaps in the market, and promote relevant upskilling and training programs for circular innovation.
- Reinforce conditionality provisions in EU funds to ensure that all publicly funded projects align with circular economy principles, prioritising the use of secondary materials, waste reduction, and resource efficiency.

9. Send clear signals to de-risk private investment

Why does it matter?

Across all our cities, well-conceived, local projects struggle to access private investment to scale up. Reasons vary, from the limited profitability of truly circular business models to the difficulty of demonstrating circular impacts. Mobilising private finance will nevertheless be critical to mainstream the circular economy.

The EU taxonomy is a decisive step forward to help private investors support circular businesses. **However challenges persist: application of the taxonomy by cities is rather complex; meanwhile incentives lack to actually secure better financing.** While the simplification agenda is welcome; for cities it will nevertheless be crucial to ensure that the reduction of reporting requirements is not disincentivising investment in the circular transition.

Moreover, public funding is essential to de-risk and crowd in private investment in emerging sectors like the circular economy. That is why it will be crucial to ensure that the circular economy is considered a strategic priority in public funding schemes for startups, scaleups and industries at both EU and Member State levels.

How are cities responding?

- **Turku** - In Turku, alignment with the EU Taxonomy and support from the European Investment Bank (EIB) helped secure a Green loan. Moreover, Turku is one of the few cities in Europe that evaluates all city investments over €1 million based on the EU sustainable finance taxonomy, improving operations, enabling data-driven decisions, and facilitating access to green funding.
- **Amsterdam** - Alongside Financial Institutions and the Dutch Ministries, the City of Amsterdam has been working to ensure that the financial sector can be seen as a driver of the circular economy. Key is that circularity must be an integral part of the assessment of funding applications and investment decisions. This is done through 4 actions. 1. Include linear and circular risks in financing decisions. 2. Weigh circular metrics in financing. 3. Gain experience by closing landmark deals on circular practices 4. Optimise and broaden the range of financing instruments.
- **Vitoria-Gasteiz** - Businesses whose activities fall under the EU Circular Economy Categorization are eligible for a subsidy aimed at reducing the risk of private investment in the circular economy, while with the Vitoria-Gasteiz City Lab program they can test circular solutions in the city at no cost.

Our recommendations to European policymakers

- Assess the impact of simplification measures to the CSRD, CSDDD and EU Taxonomy to ensure that reducing reporting requirements doesn't reduce corporate accountability and ultimately disincentive sustainable investment.
- Make circular economy a priority of the additional financing of InvestEU, with a focus on projects that go beyond recycling and truly endeavour to reduce material footprints of goods and services produced.
- The most impactful innovation is not necessarily the most disruptive: ensure that companies supported by the TechEU investment programme effectively contribute to reduce material consumption and reduce GHG emissions.

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