

REVIEW OF THE UK AND EU CIRCULAR ECONOMY LEGISLATION LANDSCAPES AND IMPLICATIONS FOR BUSINESSES



About us

The **Institute for European Environmental Policy UK (IEEP UK)** is a sustainability think tank with over 40 years of experience. As part of the broader IEEP family, we are committed to advancing evidence-based research, analysis and policy insights in the UK and its interaction with policy in the EU and globally. For more information about IEEP UK, visit www.ieep.uk or follow us on **Bluesky** and **LinkedIn**.

The **Aldersgate Group** is an alliance of major businesses, academic institutions and civil society organisations, which drives action for a competitive and environmentally sustainable UK economy. Our corporate members represent all major sectors of the economy, and include Associated British Ports, Aviva Investors, BT, CEMEX, the John Lewis Partnership, National Grid, Crown Estate, Nestlé, Siemens, SUEZ, Tesco, and Willmott Dixon. Aldersgate Group members believe that ambitious environmental policies make clear economic sense for the UK, and we work closely with members when developing our independent policy positions.

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FOREWORD



The transition to a circular economy will be crucial for making the best use of scarce resources, strengthening supply chain resilience and delivering net zero and nature goals. Businesses recognise the opportunities of the shift towards the circular economy and are investing accordingly. Across the UK and Europe, they are already taking significant steps in this direction: designing products for reuse and recyclability, innovating with new materials and investing in reverse logistics.

But ambition from business will only deliver on its full potential if it is supported by enabling policy. At present, regulatory and fiscal frameworks do not fully support a circular economy. Existing UK waste regulations can still act as a barrier to circular business models, and markets often fail to reward resource-efficient products over cheaper, less environmentally friendly alternatives.

There is concern among businesses that revenue from circular economy-related policy instruments is not consistently ring-fenced for its intended purpose, such as to fund better collection infrastructure or innovation support. Without a clear, stable and joined-up policy environment, businesses cannot plan effectively or scale up investment with confidence.

Getting circular economy right will create a range of co-benefits: lowering material dependency, reducing waste and emissions, and driving innovation and competitiveness. The role of consumers also deserves attention. A successful transition will depend on public engagement and access to reliable, affordable circular options including product repair, reuse, refill and recycling.

This joint report by the Institute for European Environmental Policy UK and the Aldersgate Group provides a comprehensive overview of the evolving circular economy legislative landscapes in the UK and EU. It examines areas of convergence and divergence, and the practical implications for businesses operating across borders.

Our aim is to inform better policy-making that supports circularity in practice by creating a level playing field, encouraging innovation and empowering businesses and consumers to play their part.

A handwritten signature in black ink, appearing to read 'Rachel Williams', positioned above the printed name.

Rachel Solomon Williams
Executive Director
Aldersgate Group





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EXECUTIVE SUMMARY



Progress towards a circular economy is a priority in both the UK and the EU but policy and legislative change since Brexit has been evolving at different speeds and to greater depths. As the UK and EU are close trading partners, it will be crucial to understand how circular economy policy is changing across both jurisdictions and the implications for businesses. This will help to identify opportunities and risks to mitigate unintended consequences, to support greater uptake of policy objectives and ultimately achieve shared circular economy ambitions.

This report reviews the legislative landscape for circular economy in the UK and in the EU and identifies areas where the UK and EU continue to be aligned, as well as areas with growing and/or significant legislative divergence. The implications for businesses were tested in a workshop with Aldersgate Group, held in May 2025, to inform recommendations for the UK Government.

Key takeaways

- ∞ Despite sharing largely the same legal rulebook only five years ago, there are already a number of areas where circular economy-related legislation has begun to open up divergence in law between the EU and UK. A proposal for a major piece of new EU law in this area in 2026, a Circular Economy Act, will further widen this gap.
- ∞ The UK has, by and large, been 'diverging by default'¹ from EU legislation and policy. A notable exception is around plastics and packaging, where the UK has more progressive policy in place than the EU. The UK has not systematically kept pace with new EU legislation and has preferred a non-legislative approach in some cases by publishing strategies. Divergence and resulting misalignment of rules can introduce risks, including frictions to trade, hampered economic growth and stymied progress on environmental protection.
- ∞ Businesses highlight the importance of policy and regulation to help drive a level playing field and increased ambition for circular economy. For businesses, the implications of legislative divergence are highly dependent on the location of their operations and supply chains, and the degree of interoperability. Businesses will aim to avoid the costs of operating different production lines to service different markets. This is exemplified by products sold to UK consumers which comply with more ambitious EU circular economy regulations. However, businesses with multinational operations or EU-based supply

1 A more detailed explanation of the continuum of divergence can be found in the IEEP UK's 2022 reflections on divergence: Baldock, D. and Nicholson, M. (2022) *Divergence in environmental policy post Brexit: Some initial reflections*, Institute for European Environmental Policy UK, <https://ieep.uk/publications/divergence-in-environmental-policy-post-brexit-some-initial-reflections/>

chains can be placed at a disadvantage due to a lack of level playing field with UK-based competitors. UK-based businesses exporting to the EU may also lack the wider policy support available to EU-based businesses to comply with new EU legislation.

- ∞ In many areas, the UK and EU share the same broad ambitions and objectives. These include securing critical raw materials and ensuring battery technology and products that help power the low carbon age are robust and sustainable. Active cooperation, coordination and alignment in certain areas of circular economy policy could help support progress towards shared goals.

Recommendations for UK Government and the devolved administrations

- ∞ **Strengthen ambition with a shared vision for circular economy in the UK**, providing clarity on the direction of travel to businesses and other key stakeholders, and timelines for new policies. As circular economy touches upon a wide range of Government policy – from industrial strategy and decarbonisation, the upcoming food strategy, to housing and the built environment – how ambitions for circular economy will be embedded across the economy and Government policy more holistically must be clearly set out. This also includes consistency and interoperability of approaches across the devolved nations to help ease business certainty and compliance. Such integration of ambition will help to prevent circularity falling by the wayside and avoid potentially misaligned policies hampering progress. It also means that multiple Government departments should be working together across Whitehall and with counterparts in the devolved administrations.
- ∞ **Identify and mitigate challenges for businesses caused by divergence.** The UK Government and devolved administrations need to identify areas where divergence negatively impacts businesses trading across the UK and EU border and ensure these challenges are resolved. Voluntary alignment may be beneficial in some cases, or other forms of support and interoperability could be considered. Areas of focus identified in this report include ecodesign, product passporting and carbon taxation.
- ∞ **Increase collaboration with the EU for data and good practice sharing.** To aid and assist the sharing of knowledge and data on circular economy flows in Europe, the UK should consider joining the European Environment Agency, following the example of other non-EU country members such as Iceland, Norway, Switzerland and Turkey.²

² The UK left the European Environment Agency (EEA) upon its departure from the EU, despite EU membership not being a requirement to be in the EEA. The EEA have indicated that they would welcome future cooperation with the UK: Institute for European Environmental Policy UK (2025) 'IEEP UK Annual Conference 2025', 4 February, <https://ieep.uk/news/event-recap-ieep-uk-annual-conference-2025/>

Looking ahead to the Circular Economy Strategy for England:

- ∞ **Identify implications and opportunities relevant to trade to embed interoperability.**
Policy and legislative developments in the EU should be a key consideration in any output delivered by the Government and the Circular Economy Taskforce, particularly where there is a risk that divergent approaches will increase costs to business or introduces barriers to trade and economic growth. The Government should also take the opportunity to learn lessons and good practice from other countries and the devolved nations.
- ∞ **Embed circular economy-related infrastructure, jobs and skills needs, and policy interventions required to support those.**³ Businesses will need to increase circular economy skills and capabilities across their workforces. It will be essential to ensure the Government supports businesses to invest in new skills with clarity on the direction of travel and other enablers (e.g. targeted support for SMEs, circular economy embedded in training and curriculum, etc). EU circular economy policies often link with innovation and research funds (e.g. Horizon Europe), with opportunities for academic and research partnerships.
- ∞ **Leverage existing legislative and trade developments to support ambition and a level playing field for circularity.** The Product Regulation and Metrology Act 2025 and the 2026 review of the Trade and Cooperation Agreement are opportunities to leverage legislation and trade agreements to better enable the implementation of an ambitious circular economy strategy.
- ∞ **Resolve policy misalignment, currently hampering circular economy practices.**
Businesses highlighted low regrets actions for the Government, with opportunities to resolve situations where regulation or other policies are limiting progress with circularity. For example, public procurement, regulation and policy could better incentivise circular economy actions higher up in the waste hierarchy, such as repair and re-use, rather than focusing on interventions around end-of-life waste disposal.

3 There are various publications in this space including: Alvis, S. and Avison, Z. (2021) *Levelling up through circular economy jobs*, Green Alliance, <https://green-alliance.org.uk/publication/levelling-up-through-circular-economy-jobs/>; Circle Economy (2023) *'Jobs in the Circular Economy Initiative'*, <https://www.circle-economy.com/circular-jobs-initiative/initiatives> (accessed 3rd June 2025) and OECD (2020) *The jobs potential of a transition towards a resource efficient and circular economy*, https://www.oecd.org/en/publications/the-jobs-potential-of-a-transition-towards-a-resource-efficient-and-circular-economy_28e768df-en.html



INTRODUCTION

Circular economy policy in the UK, both before and since leaving the European Union, has struggled to gain momentum and has suffered from fits and starts. Rhetoric from successive UK Governments has been equally promising but has not translated into concrete action. The 2018 Waste and Resources Strategy for England⁴ is a clear case in point. As a devolved matter and without a unified framework for ambition, circular economy policy in the UK is at risk of evolving independently between the UK's devolved administrations, leading to intra-UK inconsistencies. In a worst-case scenario, this could lead to internal market disruption and acrimony.⁵

However, there are positive developments and indications of increasing momentum. Wales has one of the highest recycling rates in Europe⁶ and a bold strategy.⁷ The Scottish Government has introduced the new Circular Economy (Scotland) Act 2024⁸ and 'route map'.⁹ In Northern Ireland, a circular economy strategy is still at the 'draft' stage despite having been consulted on in 2022/23.¹⁰ Since the General Election, the UK Government has set the zero-waste economy as one of its five key environmental priorities,¹¹ progressed with the introduction of the Extended Producer Responsibility (EPR) for packaging scheme in 2025, simpler recycling and the Deposit Return Scheme (DRS) in 2027. A Circular Economy Strategy is also being developed for England, with a green paper expected in the autumn of 2025.¹²

Comparatively speaking, EU policy making on circular economy has been generally more ambitious and progressive than the UK since leaving the EU, with legislative divergence opening up gaps on various fronts. The European Union, guided by the European Green Deal, has introduced a Circular Economy Action Plan (CEAP)¹³ and a wide-ranging package of legal and

4 Department for Environment, Food & Rural Affairs and Environment Agency (2024) Resources and waste strategy for England, <https://www.gov.uk/Government/publications/resources-and-waste-strategy-for-england>

5 A notable example is the contentions over deposit return schemes in Scotland and Wales due to the UK Internal Market Act. See the section on packaging for further detail.

6 A recent study from Eunomia found Wales to be the second-best performer at recycling out of the 48 countries surveyed, placing it ahead of all EU member states in the study apart from Austria. See: Eunomia (2024) Global Recycling League Table – Phase One Report, <https://eunomia.eco/reports/global-recycling-league-table-phase-one-report/>

7 Griffiths, L. (2021) 'Written Statement: Beyond Recycling - a strategy to make the circular economy in Wales a reality', Welsh Government, 2 March, <https://www.gov.wales/written-statement-beyond-recycling-strategy-make-circular-economy-wales-reality> (accessed 3 June 2025)

8 Circular Economy (Scotland) Act 2024, <https://www.legislation.gov.uk/asp/2024/13>

9 Scottish Government (2024) Scotland's circular economy and waste route map to 2030, <https://www.gov.scot/publications/scotlands-circular-economy-waste-route-map-2030/>

10 Northern Ireland Department for the Economy (n.d.) 'Circular Economy', <https://www.economy-ni.gov.uk/articles/circular-economy> (accessed 18 February 2025)

11 UK Government Department for Environment, Food & Rural Affairs and The Rt Hon Steve Reed OBE MP (2024) 'Defra Secretary of State at Summer Stakeholder Reception', Speech, 31 July, <https://www.gov.uk/Government/speeches/defra-secretary-of-state-at-summer-stakeholder-reception> (accessed 11 February 2025)

12 UK Government (2024) 'Circular Economy Taskforce', 12 December, <https://www.gov.uk/Government/groups/circular-economy-taskforce> (accessed 13 February 2025)

13 A new Circular Economy Action Plan For a cleaner and more competitive Europe, <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1583933814386&uri=COM:2020:98:FIN>

policy measures, tentatively putting its circular economy vision into practice. This came after all 54 actions under the EU's first circular economy action plan in 2015 had either been delivered or were in the process of being implemented.¹⁴ The European Commission is also expected to propose a Circular Economy Act in late 2026, to provide further overall focus to EU circular economy and critical raw materials policy and to stimulate the creation of a single market for waste and secondary raw materials.

Implementation remains key, and the record across the EU member states has been decidedly mixed. As implementation of new measures get under way, there have been some calls to scale back and delay some of the measures previously agreed.¹⁵ A backlash against 'green' policies has been growing since before last year's European Parliament elections. This 'green-lash' has prompted Commission President Ursula Von der Leyen to change the tone of her second term more towards industrial competitiveness,¹⁶ epitomised by the Draghi report,¹⁷ and has slowed down implementation of several key measures. As such, EU circular economy policy will need to be a visible part of the solution to industrial competitiveness, enhancing economic growth (and increasing productivity) and securing resources and critical raw materials¹⁸ – reflecting the wider political and security reality both the EU and UK are facing.

Just as air pollution does not stop at a nation's borders, business operations and supply chains often span multiple jurisdictions. Building a truly circular economy will require collaboration, interoperability and, in some cases greater alignment, to meet common goals.

This report presents an overview of the legislative landscape in place and in development in the EU and the UK, alongside perspectives from businesses; it combines these insights to make recommendations for the UK Government and its upcoming Circular Economy Strategy for England. This report focuses on flagship policies in the UK and EU, and as such does not reflect broader definitions of circular economy, for example including water. It also chooses not to consider in significant detail upcoming changes which impact on circular economy such as changes to the UK and EU's emissions trading scheme and carbon border adjustment mechanisms as well as the UK's landfill tax reform where, at the time of writing, a consultation is currently underway.

14 European Commission (2019) 'Closing the loop: Commission delivers on Circular Economy Action Plan', Press Release, 4 March, https://ec.europa.eu/commission/presscorner/detail/en/ip_19_1480 (accessed 11 February 2025)

15 See: Directorate-General for Communication (2025) 'Commission proposes to cut red tape and simplify business environment', European Commission, 26 February, https://commission.europa.eu/news/commission-proposes-cut-red-tape-and-simplify-business-environment-2025-02-26_en

16 European Commission (2025) 'An EU Compass to regain competitiveness and secure sustainable prosperity', Press Release, 29 January, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_339 (accessed 18 February 2025)

17 Draghi, M. (2024) *The Draghi report on EU competitiveness*, https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en

18 As well as preventing the 'leaking' of such materials out of Europe.



UK AND EU CIRCULAR ECONOMY RELATED LEGISLATION

AN OVERVIEW SINCE JANUARY 2020

This table summarises key areas of circular economy legislation that the EU has adopted (or proposed) since the UK's exit from the EU.

The table follows a broad-brush RAG rating (Red-Amber-Green) and subjective assessment to highlight the impact level of the divergence caused by the EU introducing new legislation. For example, on ecodesign, the red rating indicates that the divergence impact is significant/high for the UK. Conversely, the green rating indicates that the significance of legislative divergence in this area is low. In the following sections below, the report details why this is the case. Where we have italicised wording, this denotes that it is currently undergoing legislative passage and is not yet formally adopted into law.

Table 1 An overview of EU and UK circular economy related legislation that have been adopted and proposed since January 2020

Divergence assessment key		HIGH	MEDIUM	LOW
Policy area	EU Legislation	UK Legislation		
Ecodesign & sustainable products	∞ Ecodesign for Sustainable Products Regulation (2024)	∞ Ecodesign for Energy-Related Products and Energy Information Regulations (2021) ∞ 2024 Digital Markets, Competition and Consumers Act		
	∞ Commission Regulation on Ecodesign requirements for smartphones, mobile phones other than smartphones, cordless phones and slate tablets (2023)			
	∞ Directive on Repair of Goods (2024)			
	∞ Product Liability Directive (2024)			
	∞ Directive on empowering consumers for the green transition (2024)			
	∞ <i>Directive on Green Claims</i>			
Textiles	∞ <i>Amendment to the 2018 Waste Framework Directive</i>			
Food	∞ <i>Amendment to the 2018 Waste Framework Directive</i>	∞ The Separation of Waste (England) Regulations (2025)		



Policy area	EU Legislation	UK Legislation
Buildings	∞ Construction Products Regulation (2024)	
	∞ Energy Performance of Buildings Directive (2024)	
Batteries	∞ Regulation on batteries (2023)	
Critical Raw Materials	∞ Critical Raw Materials Act (2024)	
	∞ Commission Recommendation on improving the rate of return of used and waste mobile phones, tablets and laptops (2023)	
	∞ Circular Economy Act (expected 2026)	
Plastics	∞ Directive on Single Use Plastics (2019)	∞ Environmental Protection (Single-use Plastic Products)(Scotland) Regulations (2021)
	∞ Regulation on circularity requirements for vehicle design	∞ The Environmental Protection (Single-use Plastic Products)(Wales) Act (2023)
	∞ Proposal for a Regulation of the European Parliament and of the Council on preventing plastic pellet losses to reduce microplastic pollution	∞ The Environmental Protection (Plastic Plates etc. and Polystyrene Containers etc.)(England) Regulations (2023)
		∞ Ban on single use vapes (2024)
Packaging	∞ Packaging and Packaging Waste Regulation (2024)	∞ Producer Responsibility Obligations for Packaging and Packaging Waste (2024)
		∞ Deposit Scheme for Drinks Containers (2025)



1 ECODESIGN & SUSTAINABLE PRODUCTS



Assessment and impact of UK-EU legislative divergence

HIGH

Ecodesign¹⁹ is one of the starkest examples of UK-EU divergence in circular economy policy. Specifically, there has been a 'divergence by default' or passive divergence²⁰ whereby the UK has not kept pace with new legislation and often tighter standards²¹ emanating from the EU.

UK businesses will need to comply with these new regulations if they wish to continue to export to the EU market or run multiple production lines catering for different markets – something that is costly and unlikely to happen in most cases.²² This means some UK businesses will unilaterally adopt standards set by the EU in order to continue selling into both the UK and EU market. However, it could cause competition concerns with those businesses that are selling to a domestic UK market only and whose standards are lower. There is also a risk that some non-European producers selling products that do not meet EU standards 'dump' them on the UK market.²³

19 'Ecodesign' aims to minimise the environmental impact of a product through design including for example the materials to be used in the product, how it will be manufactured and disposed of at the end of its lifecycle.

20 Baldock, D. and Nicholson, M. (2022) Divergence in environmental policy post Brexit: Some initial reflections, Institute for European Environmental Policy UK, <https://ieep.uk/publications/divergence-in-environmental-policy-post-brex-it-some-initial-reflections/>

21 In this case, product standards.

22 Though as Nigel Haigh points out, cars are an example whereby different production lines are worth the effort and investment as cars sold in the UK are designed and built with left-handed drivers in mind and much of mainland Europe, right-handed cars. See: Haigh, N. (2023) Motives for and against divergence by the UK from EU environmental laws, Institute for European Environmental Policy UK, <https://ieep.eu/publications/ieep-uk-motives-for-and-against-divergence-by-the-uk-from-eu-environmental-laws/>

23 The risk of dumping of lower of sub-standard products is neatly summed up by David Johnson from Michelin in a blog relating to rubber and the EU Deforestation Regulations: Johnson, D. (2025) 'How the UK-EU reset could deliver jobs and growth in the UK circular economy', Aldersgate Group, 22 May, <https://www.aldersgategroup.org.uk/blog/how-the-uk-eu-reset-could-deliver-jobs-and-growth-in-the-uk-circular-economy/> (accessed 3 June 2025)

From a consumer perspective, the proximity to the EU and shared supply chains means that it would be possible to benefit from products that are more sustainably made, which are produced for the EU market. However, this vision can only be realised if the UK takes active steps to avoid the UK becoming a dumping ground for products made to lower (often environmental) standards.

With implications for trade, Ecodesign standards warrant the attention of the UK Government and Circular Economy Taskforce. Support for increased data sharing and shared or interoperable digital passports would be valuable to businesses operating across both jurisdictions where information could have broader applications than simply around dismantling. The **Product Regulation and Metrology Act 2025**²⁴ is seen by some as a vehicle to greater alignment. UK and EU aligned with the International Standardisations Office's new circularity standards²⁵ is another potential path to increasing the international harmonisation of standards.

Beyond Ecodesign, UK and EU legislation for sustainable products (e.g. repairability requirements) have evolved differently but are not yet significantly misaligned. New EU developments could have a significant impact on UK manufacturers selling in the EU, in particular manufacturers selling household appliances and electronics. Exporters from the UK will also be subject to reparability requirements; however, repairs can be provided through an authorised representative in the EU if they have one, or through subcontracting repairs.

A 2023 Commission Regulation on **Ecodesign requirements for smartphones, mobile phones other than smartphones, cordless phones and slate tablets**,²⁶ was an early salvo. However, the EU's 2024 **Ecodesign for Sustainable Products Regulation (ESPR)**²⁷ is much more significant, including for the UK, as it introduces a wide ranging and more holistic approach to tackling circular economy challenges through ecodesign.

The ESPR aims to increase the sustainability of products sold in the EU through a range of measures, such as improved durability and reusability, increased energy efficiency and increased recycled content. It also introduces Digital Product Passports for goods, requirements for green public procurement and measures to prevent the destruction of unsold goods. This regulation greatly expands the scope of Ecodesign requirements from only energy-using products to almost all products, with only a few exceptions such as food, feed and medicinal products, and opens up significant legal divergence with the UK, where Ecodesign legislation still applies only to energy-related products. The UK has previously committed to "match or where economically practicable exceed the ambition of the EU's Ecodesign standards" in its 2018 Waste and Resources Strategy,²⁸

24 *Product Regulation and Metrology Act 2025*, <https://www.legislation.gov.uk/ukpga/2025/20/contents>

25 *International Organization for Standardization (n.d.) Circular Economy* <https://www.iso.org/sectors/environment/circular-economy> (Note: the full content of the standards is only available through purchase)

26 *Commission Regulation (EU) 2023/1670 of 16 June 2023 laying down ecodesign requirements for smartphones, mobile phones other than smartphones, cordless phones and slate tablets pursuant to Directive 2009/125/EC of the European Parliament and of the Council and amending Commission Regulation (EU) 2023/826*, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023R1670>

27 *Regulation (EU) 2024/1781 of the European Parliament and of the Council of 13 June 2024 establishing a framework for the setting of ecodesign requirements for sustainable products, amending Directive (EU) 2020/1828 and Regulation (EU) 2023/1542 and repealing Directive 2009/125/EC*, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32024R1781&qid=1719580391746>

28 *Department for Environment, Food & Rural Affairs and Environment Agency (2018) Our waste, our resources: a strategy for England*, <https://www.gov.uk/Government/publications/resources-and-waste-strategy-for-england> (see pg. 40)

an ambition which the UK Government should maintain in the upcoming strategy due to the implications of ecodesign for trade.

There have been some positive reactions to the new requirements of the ESPR – for example, stakeholders from the construction²⁹ and textiles³⁰ sectors have voiced their support for new Digital Product Passport requirements due to their potential to greatly increase data sharing and sustainability. Such support, as well as desires to reduce trade barriers, could result in some elements of the ESPR gaining traction in UK policymaking spheres.

In April 2025, the European Commission published the first ESPR working plan (despite some criticism for the narrowness of scope)³¹ to outline the first set of product groups which will be prioritised from 2025 - 2030:³²

- ∞ Steel and aluminium
- ∞ Textiles (with a focus on apparel)
- ∞ Furniture
- ∞ Tyres
- ∞ Mattresses

Additionally, the Commission will introduce horizontal measures to requirements on repairability for products such as consumer electronics and small household appliances.

To minimise disruption to international trade, there have been calls³³ for the EU to align its standards in future delegated acts of Ecodesign legislation with the International Standardisations Office's new circularity standards.³⁴ This could be another potential path to increasing the harmonisation of standards between the UK and EU. The **Product Regulation and Metrology Act 2025**³⁵ is also seen by some as a vehicle to greater alignment. It states the Bill can be used, “for the purpose of reducing or mitigating the environmental impact of products”³⁶ though arguably there is provision in the 2021 Environment Act to achieve similar goals³⁷ (see Schedule 7).

29 GSI UK (2024) 'Digital legislation: unpacking product passports for the construction and metals industries', 3 December, <https://www.gsiuk.org/insights/unpacking-product-passports-for-the-construction-and-metals-industries> (accessed 18 February 2025)

30 McManus, S. (2024) 'Could product passports revolutionise the way we shop?', BBC News, 1 March, <https://www.bbc.co.uk/news/business-68283317> (accessed 18 February 2025)

31 Arbinolo, R. (2025) 'Commission's Ecodesign Working Plan falls short of promises, warns the EEB', European Environmental Bureau, 16 April, <https://eeb.org/commissions-ecodesign-working-plan-falls-short-of-promises-warns-the-eeb/> (accessed 17 April 2025)

32 European Commission (2025) 'Commission rolls out plan to boost circular and efficient products in the EU', Press Release, 16 April, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1071 (accessed 17 April 2025)

33 Blot, E. (2024) 'More standards for more circular products? Navigating the Ecodesign for Sustainable Products Regulation', Institute for European Environmental Policy, 4 June, <https://ieep.eu/news/more-standards-for-more-circular-products-navigating-the-ecodesign-for-sustainable-products-regulation-espr/> (accessed 18 February 2025)

34 International Organization for Standardization (n.d.) Circular Economy <https://www.iso.org/sectors/environment/circular-economy> (Note: the full content of the standards is only available through purchase)

35 Product Regulation and Metrology Act 2025, <https://www.legislation.gov.uk/ukpga/2025/20/contents>

36 Ibid. (see pg. 1)

37 For more information on this topic, IEPP UK has written a briefing on the Products and Metrology Bill and how it could be used to increase alignment with EU environmental standards: Nicholson, M. (2025) Products & Metrology Bill – a briefing for Parliamentarians, Institute for European Environmental Policy UK, <https://ieep.uk/publications/products-metrology-bill-a-briefing-for-parliamentarians/>

The EU **Directive on Repair of Goods**,³⁸ passed in July 2024 and relates to household appliances and electronic devices. It requires manufacturers of products subject to repairability requirements to repair these products for a reasonable price and within a reasonable timeframe. It also establishes a new online 'European Repair Platform', which will be an extension of the 'Your Europe' portal and extends the legal guarantee after repair.³⁹ Furthermore, the EU's revised **Product Liability Directive**⁴⁰ ensures that when a product is repaired and upgraded outside the original manufacturer's control, the actor that modified the product should be held liable, thus helping to support circular economy business models.

The EU has also introduced greater consumer protections for sustainable products, with the 2024 **Directive on Empowering Consumers for the Green Transition**,⁴¹ which aims to prevent consumers from being misled about the circularity of products. A proposal for a **Green Claims Directive**,⁴² which aims to prevent companies from making misleading environmental claims, was tabled by the European Commission but has been effectively withdrawn due to significant opposition from various Member States.

UK right to repair consumer protections date back to EU membership and have not evolved in step with the EU. A UK Government consultation held in 2021 found support for increased prioritisation of repair and better consumer information to protect against greenwashing concerns,⁴³ but this has not resulted in any new legislation. While the UK has a Green Claims Code,⁴⁴ misleading claims are only investigated by the Competition and Markets Authority (CMA) after they have been published. This is a less proactive approach than what has been proposed in the EU.⁴⁵ The **2024 Digital Markets, Competition and Consumers Act**,⁴⁶ which will allow the CMA to fine companies for misleading claims, could help to further disincentivise greenwashing as businesses may be at risk of penalties for making false environmental claims.⁴⁷

38 Directive (EU) 2024/1799 of the European Parliament and of the Council of 13 June 2024 on common rules promoting the repair of goods and amending Regulation (EU) 2017/2394 and Directives (EU) 2019/771 and (EU) 2020/1828, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32024L1799>

39 European Commission (n.d.) 'Directive on Repair of Goods' https://commission.europa.eu/law/law-topic/consumer-protection-law/directive-repair-goods_en (accessed 18 February 2025)

40 Directive (EU) 2024/2853 of the European Parliament and of the Council of 23 October 2024 on liability for defective products and repealing Council Directive 85/374/EEC, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202402853

41 Directive (EU) 2024/825 of the European Parliament and of the Council of 28 February 2024 amending Directives 2005/29/EC and 2011/83/EU as regards empowering consumers for the green transition through better protection against unfair practices and through better information, <https://eur-lex.europa.eu/eli/dir/2024/825/oj>

42 Proposal for a Directive of the European Parliament and of the Council on substantiation and communication of explicit environmental claims (Green Claims Directive), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2023%3A0166%3A-FIN>

43 Department for Environment, Food & Rural Affairs (2023) Consultation outcome Summary of responses, <https://www.gov.uk/Government/consultations/waste-prevention-programme-for-england-2021/outcome/summary-of-responses#chapter-2-designing-out-waste---ecodesign-extended-producer-responsibility-and-consumer-information> (see Chapter 2)

44 UK Government (n.d.) 'Green Claims Code', <https://greenclaims.campaign.gov.uk/> (accessed 22 April 2025)

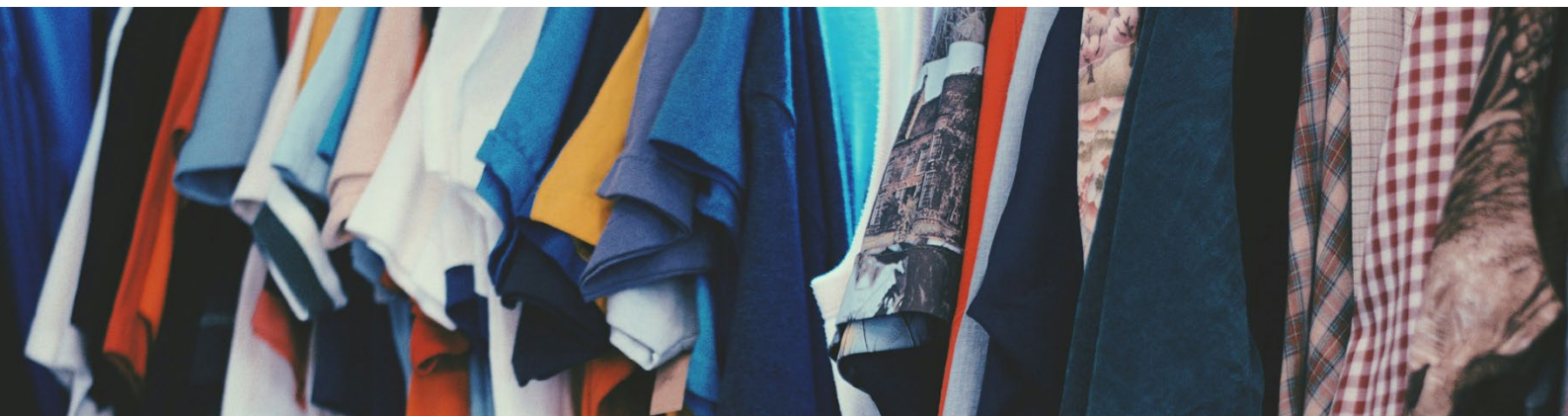
45 Martin, C. (2025) 'What You Need to Know About the EU's Green Claims Directive — And How The Anti-Greenwash Charter Can Help', The Anti-Greenwash Charter, March, <https://antigreenwashcharter.com/what-you-need-to-know-about-the-eus-green-claims-directive-and-how-the-anti-greenwash-charter-can-help/> (accessed 22 April 2025)

46 Digital Markets, Competition and Consumers Act 2024, <https://www.legislation.gov.uk/ukpga/2024/13/contents>

47 Farmiloe, O. (2025) 'DMCC Act: What do the CMA's new powers mean for green claims compliance?', Provenance, 29 January, <https://www.provenance.org/news-insights/dmcc-act-what-do-the-cmas-new-powers-mean-for-green-claims-compliance> (accessed 22 April 2025)



2 TEXTILES



Assessment and impact of UK-EU legislative divergence

MEDIUM

The UK and EU currently share the same rulebook but, if passed, a new EU directive and potential revisions to regulation would introduce divergence with the UK. The new EU textiles policy will impact UK manufacturers selling in the EU by requiring them to review their supply chains and the circularity and sustainability of their products as this will impact the costs they pay under the EPR.⁴⁸ UK apparel exports to the EU have already fallen by 63% over the past five years, due in part to increased trade barriers in the wake of the UK leaving the EU,⁴⁹ and new EU legislation could exacerbate this decline. The UK Fashion and Textile Association has called for greater focus on supporting exporters in the review of the UK-EU Trade and Cooperation Agreement.⁵⁰

Textiles is one of the priority sectors that the upcoming Circular Economy Strategy for England will focus on, creating an opportunity to understand and address potential trade challenges related to circular economy policy. Future development of the EPR schemes could potentially include textiles and draw on lessons from the implementation of the EU scheme.

Tackling textile waste is one of two core areas of focus in a revised EU **Waste Framework Directive (WFD)**. A provisional agreement⁵¹ was reached in early 2025 and is a significant step for the EU's member states and would open up, if/when passed into law, a new front of legislative divergence with the UK. The UK and EU member states currently share, in broad terms, the same root legislation – an earlier version of this directive from 2008. However, the EU's amendment to this directive builds upon this legislation and UK business could be significantly impacted,

48 Osborne Clark (2024) 'EPR for textiles: what's on the horizon in the UK and EU?', 7 May, <https://www.osborneclarke.com/insights/epr-textiles-whats-horizon-uk-and-eu> (accessed 24 April 2025)

49 UK Fashion and Textile Association (2024) 'UK apparel exports to the EU fell 63% in five years, UKFT warns', 24 April, <https://ukft.org/apparel-exports/> (accessed 24 April 2025)

50 Ibid.

51 European Council (2025) 'Council and Parliament agree to reduce food waste and set new rules on waste textile', Press Release, 19 March, https://www.consilium.europa.eu/en/press/press-releases/2025/02/19/council-and-parliament-agree-to-reduce-food-waste-and-set-new-rules-on-waste-textile/?utm_source=brevo&utm_campaign=AUTOMATED%20-%20Alert%20-%20Newsletter&utm_medium=email&utm_id=3318 (accessed 20 March 2025)

specifically those selling into the EU will be subject to several new requirements, principally around Extended Producer Responsibility (EPR).

The EU EPR requirements would mean that textile producers and fashion brands would have to pay a fee to help support waste management, with the level of the fee depending on the circularity and sustainability of their products.⁵² The European Commission states that they are keen to target what are perceived as 'fast fashion' practices. Member States will also be required to collect textiles separately from 2025. Augmenting this is the ESPR which bans the destruction of unsold apparel, clothing accessories and footwear products. However, the first ESPR working plan has received some criticism for excluding footwear and thus delaying the environmental benefits of such a move.⁵³

Further divergence could be on the horizon as the EU Commission is considering a revision to the Textile Labelling Regulation,⁵⁴ which would include sustainability and circularity parameters based on Ecodesign requirements.⁵⁵ A consultation was held from December 2023 to April 2024 however the revision has been delayed and was not included among the European Commission's planned deliveries for 2025.⁵⁶

The UK's approach in contrast has largely centred around voluntary measures such as WRAP's voluntary Textiles 2030⁵⁷ initiative. In 2023, the then Defra Secretary of State, Thérèse Coffey, explained that introducing an EPR for textiles would take a backseat to the packaging EPR scheme.⁵⁸ Despite some industry support for this scheme,⁵⁹ it is unclear what the current Government's position is on this. The outcomes of the EU scheme and the UK packaging EPR may also influence policymakers' appetites to consider a similar scheme for textiles.

Textiles are an example where the UK could increase ambition, with policy better tailored to tackling specific challenges. Metrics for textile waste currently used in the UK and EU are weight-based. An approach using metrics based around number of items, rather than weight, could be much more effective in driving greater circularity in the sector.

52 European Commission (2025) 'Commission welcomes provisional agreement to enhance the circularity of textiles and reduce food waste', Press Release, 18 February, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_548 (accessed 20 February 2025)

53 Arbinolo, R. (2025) 'Commission's Ecodesign Working Plan falls short of promises, warns the EEB', European Environmental Bureau, 16 April, <https://eeb.org/commissions-ecodesign-working-plan-falls-short-of-promises-warns-the-eeb/> (accessed 17 April 2025)

54 Regulation (EU) No 1007/2011 of the European Parliament and of the Council of 27 September 2011 on textile fibre names and related labelling and marking of the fibre composition of textile products and repealing Council Directive 73/44/EEC and Directives 96/73/EC and 2008/121/EC of the European Parliament and of the Council, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011R1007>

55 European Parliament (2025) Revision of the textile labelling regulation, <https://www.europarl.europa.eu/legislative-train/theme-a-european-green-deal/file-textile-labeling-regulation>

56 Ibid.

57 In 2021, the UK Government funded WRAP's voluntary Textiles 2030 initiative which aims to increase circularity through its signatories committing to 2030 targets. These targets encourage signatories to move towards a 50% carbon footprint reduction and a 30% water footprint reduction: Waste and Resources Action Programme (n.d.) 'Textiles 2030' <https://www.wrap.ngo/taking-action/textiles/initiatives/textiles-2030> (accessed 20 February 2025); Department for Environment, Food & Rural Affairs and Rebecca Pow (2021) 'Government unveils plans for wide-ranging Waste Prevention Programme', Press Release, 18 March, <https://www.gov.uk/Government/news/Government-unveils-plans-for-wide-ranging-waste-prevention-programme> (accessed 20 February 2025)

58 UK Parliament Environmental Audit Committee (2023) 8 February 2023 - Environmental Audit Committee - Oral evidence session, <https://committees.parliament.uk/oralevidence/12680/pdf/> (see Q132)

59 UK Fashion and Textile Association (2024) 'Industry calls on Government to step-up on variable EPR fees for clothing and textiles', 29 September, <https://ukft.org/epr-whitepaper/> (accessed 24 April 2025)

3 FOOD



Assessment and impact of UK-EU legislative divergence

MEDIUM

The EU has pursued the introduction of mandatory targets, in contrast to the UK's voluntary target approach. The EU's targets have received criticism for being too weak, and it remains to be seen to what extent these mandatory targets will result in greater food waste reductions than the voluntary measures currently in place in the UK. For example, the EU Prevent Waste Coalition argues that the EU should consider manufacturing food waste reduction targets of at least 25% - using the evidence of the UK achieving a 25% reduction in manufacturing food waste over the past few years to demonstrate that this is feasible.⁶⁰

Given that the EU's targets arguably fall below what the UK has been already able to achieve, this is perhaps an opportunity for collaboration and sharing of lessons between the UK and EU, to compare the effectiveness of different approaches and use this to inform future policy decisions.

Agri-food is one of the priority sectors that the upcoming Circular Economy Strategy for England will focus on, creating an opportunity to understand and address potential trade challenges related to circular economy policy.

The proposed revision of the EU **Waste Framework Directive** advances the circularity debate around food waste. The proposed amendment to the WFD introduces targets to reduce food waste by 2030. Specifically, a 10% reduction in processing and manufacturing, and 30% per capita in retail, restaurants, food services and households, compared to a 2021-2023 baseline.

⁶⁰ Bowman, M. and Herzog, M. (2024) *Feasibility of ambitious legally binding EU food waste reduction targets*, Prevent Waste Coalition, <https://feedbackeurope.org/research/prevent-waste-coalition-policy-brief-on-the-feasibility-of-ambitious-legally-binding-eu-food-waste-reduction-targets/>

The proposal also supports the voluntary donation of unsold food that is still suitable for consumption.

The UK has struggled to make tangible progress in advancing food waste policy since leaving the EU. The 2018 Waste and Resources strategy⁶¹ indicated that there would be a consultation on food waste targets, but this has not taken place. Some progress was made with England's 2024 **Separation of Waste Regulations** that require all workplaces to separate food waste from 31 March 2025.⁶² However, some UK based environmental NGOs claim there has been little progress made on introducing mandatory food waste reporting in the UK,⁶³ despite such a policy having minimal costs and significant support from industry.⁶⁴

The UK Government is currently developing a new food strategy, one of the priorities of which is reducing the impact of food on climate.⁶⁵ This could be a highly relevant opportunity to advocate for greater action on food waste prevention, especially considering the significant CO₂ emissions arising from food waste.⁶⁶

Despite the absence of mandatory targets in the UK, WRAP's Courtauld Commitment 2030⁶⁷ puts in place voluntary targets and encourages partners to achieve a 50% per capita reduction in food waste by 2030 in line with the UN's Sustainable Development Goal target (12.3).⁶⁸

While the proposed EU targets may be mandatory, some EU based environmental NGOs have criticised them for being insufficient and lacking in ambition. Given that the EU's targets arguably fall below what the UK has been already able to achieve, this is perhaps an area where, rather than seeking alignment, there could be opportunities for the UK and EU to compare the effectiveness of different approaches and use this to inform future policy decisions.

61 Department for Environment, Food & Rural Affairs and Environment Agency (2018) *Resources and waste strategy for England*, <https://www.gov.uk/Government/publications/resources-and-waste-strategy-for-england>

62 *The Separation of Waste (England) Regulations 2024*, <https://www.legislation.gov.uk/uksi/2024/666/contents/made>; Department for Environment, Food & Rural Affairs (2024) *Simpler recycling: workplace recycling in England*, <https://www.gov.uk/guidance/simpler-recycling-workplace-recycling-in-england>

63 *Mandatory food waste reporting has still not been introduced: Mandatory food waste reporting has still not been introduced – see: Isaacs, A. (2024) 'Why is mandatory food waste reporting still on hold?' Green Alliance, 18 December*, <https://greenalliance-blog.org.uk/2024/12/18/six-years-on-why-is-mandatory-food-waste-reporting-still-on-hold/> (accessed 20 February 2025)

64 *Too Good To Go, the British Retail Consortium and over 30 retailers have signed an open letter in support of mandatory food waste reporting: Bennett, L. (2024) 'Open Letter: Industry Support for Mandatory Food Waste Reporting', To Good To Go, 18 March*, <https://www.toogoodtogo.com/en-gb/blog/open-letter-2024> (accessed 22 April 2025)

65 Department for Environment, Food & Rural Affairs and Daniel Zeichner MP (2025) 'Leading food experts join Government food strategy to restore pride in British food', Press Release, 21 March, <https://www.gov.uk/Government/news/leading-food-experts-join-Government-food-strategy-to-restore-pride-in-british-food#:~:text=The%20cross%2DGovernment%20food%20strategy,now%20and%20in%20the%20future> (accessed 22 April 2025)

66 United Nations Climate Change (2024) 'Food loss and waste account for 8-10% of annual global greenhouse gas emissions; cost USD 1 trillion annually', 30 September, <https://unfccc.int/news/food-loss-and-waste-account-for-8-10-of-annual-global-greenhouse-gas-emissions-cost-usd-1-trillion> (accessed 22 April 2025)

67 Waste and Resources Action Programme (n.d.) 'UK Food and Drink Pact' <https://www.wrap.ngo/taking-action/food-drink/initiatives/courtauld-commitment> (accessed 25 February 2025)

68 United Nations Department of Economic and Social Affairs (n.d.) '12: Ensure sustainable consumption and production patterns', https://sdgs.un.org/goals/goal12#targets_and_indicators (accessed 25 February 2025)

4 BUILDINGS



Assessment and impact of UK-EU legislative divergence

HIGH

This is another example of divergence. The EU introduced revised regulation in 2024, and the UK still applies the earlier 2011 Construction Products Regulation.

Construction is one of the priority sectors that the upcoming Circular Economy Strategy for England will focus on, creating an opportunity to understand and address potential trade challenges related to circular economy policy. The construction sector comes with a degree of complexity for circular economy, and it will be important to ensure that policy avoids potential unintended consequences or misalignment. For example, resource efficiency must not come at the expense of decarbonisation, and alignment will be required between circular economy policy and consideration of embodied carbon in the buildings sector. Policy must also consider both raw materials that are brought to a construction site and how they are then used, including responsible construction methods, to achieve positive outcomes for circularity in buildings.

In 2024, the EU introduced a revised **Construction Products Regulation** which further harmonises rules for marketing of construction products in the EU and aims to enhance the creation of a circular economy in construction.⁶⁹ It also aims to align the regulation with the Ecodesign Regulation by requiring Digital Product Passports – which give information on a product's composition, environmental impact, performance, repairability and recyclability – to be introduced for construction products. This Regulation considers construction products to be any

⁶⁹ Regulation (EU) 2024/3110 of the European Parliament and of the Council of 27 November 2024 laying down harmonised rules for the marketing of construction products and repealing Regulation (EU) No 305/2011, <https://eur-lex.europa.eu/eli/reg/2024/3110/oj/eng>

products or kits placed on the market for permanent incorporation into construction works.⁷⁰

The 2024 EU **Energy Performance of Buildings Directive** also nudges circular economy policy in a new direction. Though the directive's main thrust is on energy efficiency and decarbonisation, it introduces a requirement to calculate the life cycle global warming potential of all buildings with a useful floor area over 1,000m² by 2028, and all new buildings by 2030.⁷¹ This life cycle approach represents a significant shift – by requiring carbon assessments across a building's entire lifespan, it lays the groundwork for a more holistic approach to circularity in the built environment.

Both the UK and EU are further developing public procurement approaches to drive forward better climate and environment outcomes for buildings. The **EU's Circular Economy Action Plan** emphasises the importance of public procurement in achieving a circular economy.

The UK's 2023 Procurement Act emphasises social value and sustainability, creating an opportunity to incorporate circular economy principles such as material reuse and waste reduction, despite not mentioning circularity explicitly. In 2025, the UK Government updated the National Procurement Policy Statement to align with the Act, requiring suppliers to reduce greenhouse gas emissions and minimise waste in their operations. An accompanying Procurement Policy Note mandates that bidders for major Government contracts commit to net zero by 2050, publish a Carbon Reduction Plan, and outline environmental management measures. The UK Government is also consulting on a policy framework for low-carbon industrial products, in particular steel and cement, and is explicitly considering resource efficiency alongside carbon abatement.⁷² To support the proposed circular economy strategy, policymakers could further embed circularity in UK procurement policy.

The UK and EU are also introducing or considering other policies, which could contribute to broader shifts in market behaviour, increasing demand for and availability of secondary materials in the construction sector. The EU and UK are introducing a Carbon Border Adjustment Mechanism (CBAM) in 2026 and 2027, respectively.^{73 74} Whilst the primary aim of CBAM is to protect low-carbon products produced in the UK and EU from unfair competition from imported high-carbon products, the CBAM could affect costs across the construction sector and increase demand for products that are lower carbon and circular, such as reusable steel. The UK government is also consulting on landfill tax reform.⁷⁵ Proposals include significant increases to the tax rate on certain construction waste, which could further incentivise segregation, treatment and reuse of construction waste materials.

70 European Commission (n.d.) 'Frequently Asked Questions: Construction Products Regulation (CPR)', https://single-market-economy.ec.europa.eu/sectors/construction/construction-products-regulation-cpr/frequently-asked-questions_en (accessed 24 April 2025) (see question 39)

71 Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings, <https://eur-lex.europa.eu/eli/dir/2024/1275/oj/eng>

72 Department for Energy Security and Net Zero (2025) Growing the market for low carbon industrial products: policy framework. <https://www.gov.uk/government/consultations/growing-the-market-for-low-carbon-industrial-products-policy-framework>

73 HM Treasury (2025) Factsheet: Carbon border adjustment mechanism. <https://www.gov.uk/government/publications/factsheet-carbon-border-adjustment-mechanism-cbam/factsheet-carbon-border-adjustment-mechanism>

74 European Commission Carbon Border Adjustment Mechanism. https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

75 HM Treasury (2025) Consultation on reform of Landfill Tax. <https://www.gov.uk/government/consultations/consultation-on-reform-of-landfill-tax>



5 BATTERIES



Assessment and impact of UK-EU legislative divergence

HIGH

With the introduction of revised legislation on batteries in the EU, a relatively clear example of legislative divergence has opened up since the UK left the European Union. The UK has at the same time been examining how to best support and regulate this growing sector of the economy which is key to the net zero transition but has opted to take a non-legislative approach instead.

UK producers selling in the EU will now need to comply with two different regulatory frameworks and will need to collate data and report on the environmental impact of each stage of battery production,⁷² which could affect trade. For example, there could be a highly detrimental impact on the UK's electric vehicle industry, especially as the EU Batteries Regulation entry into force could coincide with the introduction of EU tariffs on electric vehicles failing to meet Rules of Origin requirements.⁷³

In August 2023, the EU introduced a revised **Batteries Regulation**,⁷⁴ aimed at shortening raw material supply chains and reducing the use of harmful substances in batteries and their carbon

72 Addleshaw Goddard (2023) 'Navigating the green road ahead: The impact of the new EU battery regulation on the automotive industry', 12 October, <https://www.addleshawgoddard.com/en/insights/insights-briefings/2023/transport/navigating-the-green-road-ahead-the-impact-of-the-new-eu-battery-regulation-on-the-automotive-industry/> (accessed 24 April 2025)

73 Under new Rules of Origin requirements, electric vehicles sold in the EU will need to have a minimum level of content manufactured in the UK or EU to avoid tariffs. These rules were due to come into force in 2024, however after negotiations with the UK Government the EU extended the existing rules to late 2026: Prime Minister's Office, 10 Downing Street et al. (2023) 'Tariffs on electric vehicles avoided as UK and EU extend trade rules', Press Release, 21 December, <https://www.gov.uk/Government/news/tariffs-on-electric-vehicles-avoided-as-uk-and-eu-extend-trade-rules> (accessed 24 April 2025)

74 Regulation (EU) 2023/1542 of the European Parliament and of the Council of 12 July 2023 concerning batteries and waste batteries, amending Directive 2008/98/EC and Regulation (EU) 2019/1020 and repealing Directive 2006/66/EC, <https://eur-lex.europa.eu/eli/reg/2023/1542/oj>

footprints. The Regulation sets targets for recycling efficiency, recycled content and material recovery, and introduces plans to increase consumers' abilities to remove and replace portable batteries in electronic products. The regulation also introduces requirements on producers to provide digital information - a form of battery passport – to aid consumers and value chains on important information related to the battery.

Rather than embodying its objectives in law as the EU have done, the UK Government has opted to publish a battery strategy,⁷⁵ aimed at developing an “innovative and competitive UK battery industry”. The strategy’s ambitions to increase sustainability and the resilience of supply chains align with the EU regulation. It also highlights a commitment to exploring international cooperation and ensuring that the batteries sector develops “widely adopted international standards”.

There have been some calls for greater batteries regulation in the UK in response to the fire risks of lithium-ion batteries,⁷⁶ though potential actions appear to be born mainly of safety concerns rather than a desire to achieve strategic autonomy as it is in the EU.

75 Department for Business and Trade (2023) UK battery strategy, <https://assets.publishing.service.gov.uk/media/656ef-4871104cf000dfa74f3/uk-battery-strategy.pdf>

76 Lithium-ion Battery Safety Bill, <https://bills.parliament.uk/bills/3742>; Malik, X. et al (2025) Product Regulation and Metrology Bill [HL] 2024-25, House of Commons Library, <https://commonslibrary.parliament.uk/research-briefings/cbp-10224/>

6 CRITICAL RAW MATERIALS



Assessment and impact of UK-EU legislative divergence

HIGH

As with batteries, the EU has passed legislation, whilst the UK has pursued a non-legislative approach and instead opted to publish a strategy. The UK Government is due to publish a new Critical Minerals Strategy in 2025, creating an opportunity for greater cooperation and alignment where beneficial.

The EU has announced a new Critical Raw Materials Club for 'like-minded countries willing to strengthen global supply chains',⁷⁷ which could be an opportunity for cooperation with the UK. Both the EU and UK are part of the US-led Minerals Security Partnership Forum, which aims to work with international Governments and industry to diversify minerals supply chains.⁷⁸

In 2024 the EU passed the **Critical Raw Materials Act (CRM)**,⁷⁹ which aims to ensure secure supply chains for raw materials essential for key strategic sectors, such as renewable energy and defence. The CRM is designed to strengthen all stages of critical raw materials value chains, diversify imports to reduce dependencies, improve the EU's ability to monitor and mitigate disruptions to supply chains, and increase circularity.

The CRM sets several benchmarks along the raw materials value chain to be achieved by 2030,

⁷⁷ European Council (2025) 'An EU critical raw materials act for the future of EU supply chains', 21 March, <https://www.consilium.europa.eu/en/infographics/critical-raw-materials/> (accessed 22 April 2025)

⁷⁸ US Department of State (n.d.) 'Minerals Security Partnership' <https://www.state.gov/minerals-security-partnership> (accessed 22 April 2025)

⁷⁹ Regulation (EU) 2024/1252 of the European Parliament and of the Council of 11 April 2024 establishing a framework for ensuring a secure and sustainable supply of critical raw materials and amending Regulations (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1724 and (EU) 2019/1020, <https://eur-lex.europa.eu/eli/reg/2024/1252/oj/eng>

such as a target to derive at least 25% of the EU's annual consumption of critical raw materials from recycled materials. Further measures aimed at supporting circularity include requiring member states and private operators to investigate the potential for recovering critical raw material from extractive waste, setting requirements on recyclability and recycled content of permanent magnets and enabling the European Commission to introduce rules on the environmental footprint of critical raw materials.

Furthermore, a 2023 **Recommendation on Improving the Rate of Return of Used and Waste Mobile Phones, Tablets and Laptops**⁸⁰ will support in securing the supply of critical raw materials through increasing collection and recycling rates, although as a Recommendation, this is non-binding.

As with batteries, the UK has so far opted not to introduce legislation or targets to drive the acquisition, recycling and diversification of supply chains with regard to CRMs preferring instead to introduce a Critical Minerals Strategy⁸¹ and approve the use of Export Finance to increase security of supply.^{82, 83} Green Alliance has underlined the need for join up of Government strategies if circular economy is to be a success. In particular, they have argued that consistency of approach between CRM strategy and industrial strategy for example is vital.⁸⁴

The EU has announced a new Critical Raw Materials Club for 'like-minded countries willing to strengthen global supply chains',⁸⁵ which could be an opportunity for cooperation with the UK. Both the EU and UK are part of the US-led Minerals Security Partnership Forum, which aims to work with international Governments and industry to diversify minerals supply chains.⁸⁶

80 Commission Recommendation (EU) 2023/2585 of 6 October 2023 on improving the rate of return of used and waste mobile phones, tablets and laptops, <https://eur-lex.europa.eu/eli/reco/2023/2585/oj/eng>

81 Department for Business & Trade and Department for Business, Energy & Industrial Strategy (2023) Resilience for the Future: The UK's Critical Minerals Strategy, <https://www.gov.uk/Government/publications/uk-critical-mineral-strategy/4acf-2ca4-70cf-4834-a081-cf16b7c66959>

82 UK Export Finance and The Rt Hon Jonathan Reynolds MP (2024) 'UK approves use of export finance to secure critical minerals', Press Release, 31 October, <https://www.gov.uk/Government/news/uk-approves-use-of-export-finance-to-secure-critical-minerals> (accessed 27 February 2025)

83 An independent report from the Task and Finish Group: [on] industry resilience for critical minerals has also been published to support implementation of the UK's CRM strategy: Task and Finish Group (2023) An analysis of sector risks and recommendations for the UK's supply chain resilience, <https://www.gov.uk/Government/publications/task-and-finish-group-industry-resilience-for-critical-minerals>

84 Peake, L. and Plumptre, H. (2024) Mission critical: safeguarding resources for UK energy security, Green Alliance, <https://green-alliance.org.uk/publication/mission-critical-safeguarding-resources-for-uk-energy-security/>

85 European Council (2025) 'An EU critical raw materials act for the future of EU supply chains', 21 March, <https://www.consilium.europa.eu/en/infographics/critical-raw-materials/> (accessed 22 April 2025)

86 US Department of State (n.d.) 'Minerals Security Partnership' <https://www.state.gov/minerals-security-partnership> (accessed 22 April 2025)

7 PLASTICS



Assessment and impact of UK-EU legislative divergence

LOW

The UK and EU are broadly aligned, with product specific divergence. One significant area of divergence is oxo-degradable plastics. Wales is introducing a ban from 2026 and other measures with greater ambition than the EU, but the other devolved nations have yet to take action. The UK has also introduced a ban on single use vapes, with similar bans in individual Member States but not across the EU.

A potential area for future divergence is around plastic content in vehicles. This could result in interoperability challenges for vehicle manufacturers, an industry that is already facing significant trade friction from US tariffs.

Transport, chemicals and plastics are priority sectors that the upcoming Circular Economy Strategy for England will focus on, creating an opportunity to understand and address potential trade challenges related to circular economy policy.

Despite some early divergence following the UK departure from the EU on tackling single use plastics with the introduction of the **Single Use Plastics (SUP) Directive**,⁸⁷ the UK has generally caught up with measures put in place by the EU. However, the most significant area of divergence is related to oxo-degradable plastics – a form of plastic that more readily breaks down into microplastics when exposed to sunlight, oxygen or heat – which are banned in the EU.⁸⁸ In Wales, there is a planned ban scheduled from 2026 under the second phase of its ban on single-use plastics. Though it has featured in Government consultations in the past, there are no bans or planned restrictions in place in Scotland and England. The situation in Northern Ireland is more complex as it is required to transpose various articles of the EU's SUP directive as part of the Windsor Framework/NI Protocol, including the ban on oxo-degradable plastics. However, deadlines to put this in place have been missed,⁸⁹ opening up legislative divergence *within* the UK on this issue.

87 Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment, <https://eur-lex.europa.eu/eli/dir/2019/904/oj>

88 Ibid., see article 5

89 Smith, L. (2024) Plastic Waste, House of Commons Library, <https://commonslibrary.parliament.uk/research-briefings/cbp-8515/>

In 2026, Wales plans to introduce a ban on lightweight carrier bags (no greater than 49 microns), with exemptions for certain food products. This is a more stringent approach than in the EU, where plastic carrier bags are not yet wholly prohibited. Under the 2015 **Plastic Bags Directive**,⁹⁰ Member States must take measures to reduce the consumption of plastic carrier bags under 50 microns, however this could be in the form of a national reduction target instead of a ban.⁹¹

The EU has also taken further steps forward by restricting single use plastics in packaging under the Packaging and **Packaging Waste Regulation** (see [Packaging Waste](#)). There may be future divergence on plastic content in vehicles, with a proposed EU regulation on circularity requirements for vehicle design and on management of end-of-life vehicles⁹² including requirements on minimum recycled content for plastics in vehicles. The European Commission has also introduced a proposal for a **Regulation on preventing pellet losses to reduce microplastic pollution**.⁹³

On the UK side, the previous Conservative Government held a consultation on a proposed ban on the production of wet wipes containing plastic⁹⁴ but progress has stalled following the 2024 UK General election.

Nevertheless, the UK has gone one step ahead of the EU in addressing single-use products through its ban on single-use vapes.⁹⁵ This creates divergence with the EU, which has not indicated any plans to introduce similar legislation, although the Commission has approved national bans in Belgium⁹⁶ and France.⁹⁷ There has also been a push from 12 member states for the EU to introduce greater restrictions on vapes,⁹⁸ with these states voicing concern that their consumption will not be adequately prevented by national measures, although their demand for action is largely driven by the adverse health effects of vapes rather than their environmental impacts.

90 Directive (EU) 2015/720 of the European Parliament and of the Council of 29 April 2015 amending Directive 94/62/EC as regards reducing the consumption of lightweight plastic carrier bags, <https://eur-lex.europa.eu/eli/dir/2015/720/oj/eng>

91 European Commission (n.d.) 'The Plastic Bags Directive', https://environment.ec.europa.eu/topics/plastics/plastic-bags_en (accessed 4 March 2025)

92 Proposal for a Regulation of the European Parliament and of the Council on circularity requirements for vehicle design and on management of end-of-life vehicles, amending Regulations (EU) 2018/858 and 2019/1020 and repealing Directives 2000/53/EC and 2005/64/EC, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52023PC0451>

93 Proposal for a Regulation of the European Parliament and of the Council on preventing plastic pellet losses to reduce microplastic pollution, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52023PC0645>

94 Department for Environment, Food & Rural Affairs (2023) 'Consultation on the proposed ban of the manufacture supply and sale of wet wipes containing plastic', 14 October, <https://consult.defra.gov.uk/wet-wipes-1/wet-wipes-containing-plastic/> (accessed 22 April 2025)

95 The Environmental Protection (Single-use Vapes) (England) Regulations 2024, <https://www.legislation.gov.uk/ukdsi/2024/9780348264647/contents>; The Environmental Protection (Single-use Vapes) (Wales) Regulations 2024, <https://www.legislation.gov.uk/wsi/2024/1324/contents/made>; The Environmental Protection (Single-use Vapes) (Scotland) Regulations 2024, <https://www.legislation.gov.uk/sdsi/2024/9780111060315/contents>; The Environmental Protection (Single-use Vapes) Regulations (Northern Ireland) 2024, <https://www.legislation.gov.uk/nisr/2024/212/contents/made>

96 Commission Implementing Decision of 18.3.2024 concerning national provisions notified by Belgium prohibiting the placing on the market of disposable electronic cigarettes, https://health.ec.europa.eu/document/download/2c0e24a7-8ea5-4464-9bf6-eecc2f45c42b_en?filename=tobacco_c_2024_1673_en.pdf

97 Commission Implementing Decision of 25.9.2024 concerning national provisions notified by France prohibiting certain electronic cigarettes, https://health.ec.europa.eu/document/download/7dfc1451-89e8-41bc-84b7-6ad9ada9027d_en?filename=tobacco_c_2024_6680_en.pdf

98 Eccles, M. (2024) '12 countries push for EU crackdown on vapes', Politico, 20 June, <https://www.politico.eu/article/12-countries-push-for-eu-crackdown-on-vapes/> (accessed 4 March 2025)



8 PACKAGING WASTE



Assessment and impact of UK-EU legislative divergence

LOW

The EU and UK both have Extended Producer Responsibility schemes. However, with different requirements and implementation, businesses are having to navigate the complexities of complying with new measures being introduced at the same time.

Both the EU and UK have amended what were once shared basic rules on packaging and packaging waste.⁹⁹ In the UK, the 2024 **Producer Responsibility Obligations for Packaging and Packaging Waste**¹⁰⁰ obliges producers to bear the costs of managing household packaging waste, incorporating the polluter pays principle through shifting the burden away from taxpayers and local authorities. It also requires producers to ensure a proportion of the packing they supply is recycled, and to inform the public about the correct disposal of packaging waste. Despite some delays and discontent from some businesses¹⁰¹ to the UK scheme, it is broadly in line with approaches in the EU, where member states were required to establish EPR schemes for packaging by the end of 2024.

The EU adopted a **Packaging and Packaging Waste Regulation** in late 2024.¹⁰² The new

99 European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A31994L0062>

100 The Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations 2024, <https://www.legislation.gov.uk/uksi/2024/1332/contents/made>

101 Quinn, I. (2023) 'The Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations 2024', *The Grocer*, 26 July, <https://www.thegrocer.co.uk/analysis-and-features/extended-producer-responsibility-industry-reacts-to-delay-to-controversial-packaging-rules/681539.article> (accessed 6 March 2025)

102 Regulation (EU) 2025/40 of the European Parliament and of the Council of 19 December 2024 on packaging and packaging waste, amending Regulation (EU) 2019/1020 and Directive (EU) 2019/904, and repealing Directive 94/62/EC, <https://eur-lex.europa.eu/eli/reg/2025/40/oj>

Regulation opens up divergence with the UK through setting binding re-use targets, requiring producers to minimise packaging, and restricting single-use plastic packaging for certain products. It also aims to minimise substances of concern and includes restrictions on packaging containing PFAS if certain thresholds are exceeded. This Regulation will create challenges for UK producers who will now need to comply with new EU regulations while also navigating the introduction of the packaging EPR in the UK. It is estimated that producers will be required to pay around £1.7 billion annually in packaging costs under the UK's EPR scheme,¹⁰³ and further costs incurred through compliance with EU regulations could add to this financial burden.

This Regulation also requires member states to introduce mandatory deposit return schemes for plastic bottles and aluminium cans by 2029. In England, Northern Ireland and Scotland, a deposit return scheme is expected to be introduced in 2027¹⁰⁴ inspired in part by practice elsewhere in Europe.¹⁰⁵

However, the roll-out of a deposit return scheme has uncovered how the four parts of the UK attempting to advance progressive environmental policy through newfound powers in the aftermath of leaving the EU can come into conflict with the Internal Market Act,¹⁰⁶ which was introduced in 2020 to prevent trade barriers within the UK following the exit from the EU.

Box 1 Scotland's deposit return scheme and the Internal Market Act

The case of deposit return schemes is a pertinent example of how the UK's departure from the EU has opened up new frictions over the extent to which Member States can now establish independent environmental policy.

In 2020, the Scottish Government voted in favour of creating a deposit return scheme, which was due to be implemented in 2023. This scheme would involve a refundable deposit of 20p for consumers buying single use drinks containers. However, the UK Government issued a policy statement stating that the scheme would have to be modified due to concerns that it may clash with objectives set out under the UK's 2020 Internal Market Act. Scotland's scheme had planned to include glass, something the UK Government at that time had wanted to be delayed so that a UK wide approach could be taken. This led to the Scottish Government delaying its deposit return scheme to align with the other UK nations. Future efforts from devolved Governments to advance circular economy policy beyond the ambitions of Westminster may encounter similar difficulties, although Wales was able to successfully gain an exemption to implement the second phase of its ban on single-use plastics.

103 Howarth, M. and Miles, R. (2024) 'Waste not, want not: unpacking the UK's packaging waste regime', Taylor Wessing, 1 February, <https://www.taylorwessing.com/en/interface/2024/products-and-packaging-update/waste-not-want-not> (accessed 17 April 2025)

104 Department for Environment, Food & Rural Affairs (2024) Deposit Return Scheme for drinks containers: joint policy statement, <https://www.gov.uk/Government/publications/deposit-return-scheme-for-drinks-containers-policy-statements/deposit-return-scheme-for-drinks-containers-joint-policy-statement>

105 Choudhury, S. (2025) 'Introducing the deposit return scheme for drinks containers', Department for Environment, Food & Rural Affairs, 31 January, <https://defraenvironment.blog.gov.uk/2025/01/31/introducing-the-deposit-return-scheme-for-drinks-containers/> (accessed 4 March 2025)

106 United Kingdom Internal Market Act 2020, <https://www.legislation.gov.uk/ukpga/2020/27/contents>



REFLECTIONS ON THE UK AND EU CIRCULAR ECONOMY

POLICY LANDSCAPE AND NEXT STEPS

Changes in circular economy policy since Brexit far outweigh changes to other thematic areas of broader environment and climate policy – air, water, nature protection for example. Driven by its Circular Economy Action Plan and wider European Green Deal, the EU has been legislating its way to a more circular economy. It has been making changes to laws further up the waste hierarchy too to reduce resource use, reduce material consumption and secure resources; and not just rely on dealing with end-of-life disposal of waste. The UK once largely shared the same rulebook in this policy area, but changes since Brexit have meant a growing divergence in law and policy has emerged. In and of itself, this is not a problem, but divergence can and does cause difficulties to trade and thus economic growth. It can also unnecessarily threaten environmental protection.

The UK Government and the Devolved Administrations have acted to further their circular economy policy but have tended to do this more slowly than the EU and in a less holistic way. Scotland's new Circular Economy Act and England's upcoming Circular Economy Strategy are perhaps signs of renewed energy in this policy area. The Circular Economy Strategy for Northern Ireland is awaiting approval and could come in the autumn of 2025. Wales will be key going forward, as the devolved nation with most advanced and effectively implemented circular economy policy.

Working with industry on both sides of the Channel will be crucial if the EU and UK are to effectively build a more circular economy on the continent of Europe. Though this paper focuses on the divergence between the EU and UK's legislative base, implementation remains key too. Despite more ambitious legislation, the record across the EU member states has been decidedly mixed. Legislating our way forward is not enough, but nor is developing strategies without including clear, measurable targets set in law. Both the EU and UK share much of the same broad ambitions when it comes to several areas of circular economy policy (e.g. Critical Raw Materials and Batteries). More active collaboration and cooperation is a must, not just a 'nice to have' going forward if those shared ambitions are to be realised.

For businesses, a clear and stable environment for business investment over the longer term, clarity on the direction of travel and ease of compliance across different jurisdictions is key to enabling circular economy action. Circular economy touches upon many policy areas (and different government departments) and next steps for policymakers must ensure a wider enabling policy environment is being created, whilst aligning relevant policies to unlock ambition. Key enablers include shared access to circular economy infrastructure, data and appropriately resourced and joined-up national and local delivery, from waste collection, to reuse hubs and repair services. It should also shift the emphasis away from end-of-life disposal of waste further up the hierarchy. Addressing the sustainability of products which we buy, sell and use every day for example is of high importance.



Similarly, potential unintended consequences are not systematically being addressed. For example, incorporating waste incineration and energy from waste into the UK Emissions Trading Scheme (ETS) would provide a good signal for circular economy principles for local authorities and businesses; but support, especially for less-well equipped local authorities, is needed to avoid negative unintended consequences (e.g. pushing waste towards cheaper solutions like landfill or increase illegal handling of waste).

Finally, circular economy is by definition cross-economy and holistic. This report focused on flagship policies in the EU and UK but is worth noting that broader definitions of circular economy are permeating into policy action. For example, 2024 updates to the EU Urban Wastewater Treatment Directive¹⁰⁷ bring water, commonly omitted in UK and EU circular economy, more firmly in scope. This has included introducing EPR for pharmaceutical and cosmetic products, requiring suppliers to cover the majority of treatment costs to remove residues from wastewater and introducing reuse and recycling obligations for phosphorus, with potential for nitrogen recovery to be added.

107 European Commission, Urban Wastewater https://environment.ec.europa.eu/topics/water/urban-wastewater_en

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