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The Circular Economy Act in the EU's 2026 Policy Agenda: Redesigning Market Structure and Competitive Dynamics

Supply chain vulnerabilities that became visible during the pandemic, rising geopolitical tensions, raw material price volatility, and increasing carbon costs have reopened the debate on whether competitiveness can continue to be defined solely by cost and scale advantages. These developments have prompted a reassessment of the sustainability of linear business models and have made it necessary to address the production–consumption chain more holistically, particularly in terms of resource dependency and value loss.

In this context, the Circular Economy Act planned to be presented by the European Union in 2026 aims to move circularity beyond a policy declaration and embed it within a legal and commercial framework of competition. Regulatory elements such as product design standards, the strengthening of secondary raw material markets, the harmonization of extended producer responsibility systems, and value chain traceability demonstrate that circularity is being directly linked to competitive conditions.

Within this framework, circularity is not limited to increasing recycling rates. It points to a broader transformation perspective that questions how value loss occurs along the production and consumption chain and addresses resource use within the integrity of the entire system. In this respect, the circular economy is considered a structural transformation area that directly affects companies' competitive positioning.

Türkiye's 2025–2028 Circular Economy Strategy should also be interpreted within these transformation dynamics. The strategy provides a reference framework not only in terms of regulatory alignment, but also with regard to the resilience of the production structure and the long-term capacity to generate value.

The Circular Economy Act is a policy initiative included in the European Commission's 2026 agenda and planned for presentation. This study evaluates the potential impacts of this initiative on market structure, drawing on the EPRS briefing and the orientations set out in the Commission's competitiveness and industrial policy documents.

Evolution of Circular Economy Policy in the EU

The foundations of the European Union's circular economy policy were laid with the first Circular Economy Action Plan adopted in 2015. This plan addressed production, consumption, and waste management processes in an integrated manner, aiming to close material loops, strengthen secondary raw material markets, and increase resource efficiency. By focusing on the product life cycle, this approach moved beyond a traditional waste management perspective and sought to establish a link between design, recovery, and market functioning.

Under the 2015 plan, waste legislation was revised, a monitoring framework was established, and various sectoral strategies were implemented. By 2019, it was announced that the majority of the actions had been completed. During the same period, with the introduction of the European Green Deal, circular economy policy was embedded within a broader industrial and climate strategy framework. The new Circular Economy Action Plan adopted in 2020 further reinforced this direction through sustainable product policies and eco-design standards.

However, implementation outcomes indicate that the secondary raw material market has not achieved the expected level of integration in terms of scale and depth, and that fragmentation within the single market has not been fully eliminated. In line with the orientations set out in Commission documents, it appears that the Circular Economy Act initiative seeks to complement the existing regulatory framework at the level of market design and to establish a more integrated competitive environment for secondary raw materials. This evolution demonstrates that circularity is increasingly being addressed within a systemic market framework.

Position of the Circular Economy Act within the Strategic and Regulatory Framework

In the European Union, circular economy policy has been repositioned beyond the scope of environmental sustainability and is now embedded within the frameworks of industrial policy, economic security, and single market integrity. High external dependency on critical raw materials, fragmentation in secondary raw material markets, and the limited competitiveness of recycled materials demonstrate that addressing circularity solely from a waste management perspective is insufficient. In this context, the circular economy has evolved into a structural policy domain associated not only with resource efficiency objectives, but also with strategic autonomy and industrial resilience.

The Circular Economy Act (CEA), planned for presentation in 2026, represents an initiative aimed at institutionalizing this transformation at the regulatory level. When assessed together with the new industrial architecture shaped under the Competitiveness Compass and the Clean Industrial Deal, it becomes evident that circularity is being addressed in an integrated manner with competitiveness and economic security objectives. Its links with public procurement reform, industrial decarbonization policies, and critical raw material strategies indicate that circularity is no longer confined to a sectoral environmental policy, but is evolving into a horizontal instrument of industrial policy.

This strategic repositioning also raises the question of how the regulatory framework developed over the past decade will be consolidated. The measures introduced under the 2015 and 2020 Circular Economy Action Plans have taken significant steps in areas such as product design, waste management, recycled content requirements, and the recovery of critical raw materials. However, these measures have largely focused on specific value chains or product groups and have remained limited in establishing a holistic and integrated single market structure for secondary raw materials.

Within this framework, the CEA is expected to be designed in interaction with existing regulatory instruments. The Ecodesign for Sustainable Products Regulation (ESPR) intervenes at the design stage through criteria related to durability, reparability, and recyclability. The Packaging and Packaging Waste Regulation (PPWR) generates demand-side signals in specific markets through recycled content requirements. The Waste Framework Directive (WFD) provides the core governance framework for extended producer responsibility systems, while the Critical Raw Materials Act (CRMA) aims to increase recovery capacity for strategic inputs.

The CEA, in turn, is expected to function as a horizontal regulation that integrates these fragmented interventions within an operational and predictable single market structure for secondary raw materials. Rather than duplicating existing legislation, this approach points to a regulatory framework that strengthens coordination among instruments and simultaneously structures both the supply and demand sides of the secondary raw material market. In doing so, circularity moves beyond being the aggregate of sectoral regulations and acquires a systemic market design dimension that directly influences competitive structures.

Structural Challenges Addressed by the Circular Economy Act

The Circular Economy Act does not target a technical waste regulation; rather, it aims to address structural vulnerabilities that have emerged in the European Union's production and supply structures. These areas of intervention are directly linked not only to environmental performance indicators, but also to economic security, market integrity, and competitive capacity.

1. External Dependency and Supply Risk in Critical Raw Materials

The EU economy is highly dependent on imports for rare earth elements, lithium, and other strategic inputs. Global supply concentration and geopolitical risks have transformed this dependency into an issue of economic security. Persistently low recycling rates and the insufficient economic valorization of secondary raw materials make it necessary to treat waste streams as strategic resources. In this context, the CEA positions circularity not merely as an environmental preference, but as a complementary pillar of supply security.

2. Fragmentation and Scale Limitations in the Secondary Raw Material Market

Divergent national practices regarding “end-of-waste” criteria within the single market hinder the cross-border circulation of secondary raw materials and limit market depth. This fragmentation prevents the formation of economies of scale, makes it difficult to reduce unit costs, increases price volatility, and creates uncertainty for investment decisions. One of the orientations highlighted in Commission documents is the reduction of existing fragmentation through the establishment of a predictable and harmonized single market framework for secondary raw materials.

3. Competitive Asymmetry Between Primary and Secondary Raw Materials

Recycled materials are often at a disadvantage in terms of cost, perceived quality, and supply continuity. When the price structure of primary raw materials does not fully reflect externalities, secondary materials struggle to gain competitiveness. This asymmetry weakens demand and inhibits the deepening of the secondary market. Through demand-side instruments and recycled content requirements, the CEA aims to reduce this structural price differential.

4. Governance and Performance Challenges

The current structure of extended producer responsibility systems often focuses on cost minimization and does not sufficiently incentivize genuine circular performance. In addition, issues such as chemical risks, microplastic release, and the circulation of hazardous substances within secondary raw materials require circular systems to be designed in a safe and controlled manner. These areas necessitate not only technical regulation, but also a performance-oriented and harmonized governance framework.

5. The Policy Choice Between Resource Efficiency and Absolute Reduction

For a long period, the EU's circular economy approach has progressed through increasing recycling rates and improving resource efficiency. However, rising trends in material consumption and waste generation raise the question of whether efficiency gains alone are sufficient to achieve an absolute reduction in resource use. In this context, the debate indicates the emergence of a policy choice between an approach centered on improving recycling performance and one based on binding targets aimed at reducing overall resource consumption.

Redesign of the Secondary Raw Material Market

The most defining feature of the planned Circular Economy Act is its aim to transform secondary raw materials from an environmental recovery element into a functioning market category. This approach elevates circularity from the level of technical standards to the level of price formation, demand structure, and market integration. The issue, therefore, is not merely increasing recycling rates, but ensuring that secondary raw materials operate within a competitive, predictable, and scalable market structure.

1. Rebalancing the Price Mechanism

The price gap between primary and secondary raw materials is one of the main factors limiting the competitiveness of secondary materials. When the environmental externalities of primary raw materials are not fully reflected in prices, recycled content may face a cost disadvantage. Demand-side instruments discussed in Commission documents, including recycled content requirements and public procurement mechanisms, aim to rebalance this structural price asymmetry within market conditions. This indicates that the cost structure of raw materials may gradually be reshaped over time.

2. Strengthening the Demand Side and the Scale Effect

For secondary raw material markets to deepen, not only the supply side but also the demand side must be institutionally secured. Instruments such as recycled content obligations and public procurement generate predictable demand signals for secondary materials. Structurally strengthening the demand side facilitates investment decisions and creates the conditions necessary for economies of scale to emerge. This represents a critical threshold for achieving price stability and supply continuity.

3. Single Market Integration and Market Depth

The harmonization of “end-of-waste” criteria and the facilitation of cross-border circulation aim to establish a more integrated single market for secondary raw materials. A broader and more coherent market can reduce unit costs through increased volumes and enhance overall market depth. This development affects not only environmental performance but also industrial competitiveness directly.

Türkiye’s National Circular Economy Strategy (2025–2028): Alignment with the Emerging Competitive Framework

Türkiye’s 2025–2028 National Circular Economy Strategy and Action Plan presents a comprehensive framework that moves circularity beyond a waste management perspective and addresses it within the context of production models, sectoral transformation, and trade integration. This approach signals a parallel orientation with the emerging competitive structure taking shape in the European Union. The Strategy is structured around six strategic objectives and 53 actions, aiming at a systemic transformation extending from the design phase to monitoring mechanisms.

The fact that 28 of the actions are legislative in nature indicates that the transformation is largely designed through regulatory instruments. The remaining actions include complementary policy tools in the areas of finance, technology, institutional capacity, and infrastructure. This distribution

demonstrates that Türkiye seeks to move beyond regulatory alignment in the field of circular economy and to strengthen its implementation capacity.

The priority sectors identified in the Strategy—packaging, batteries and vehicles, electronics, construction, food and biomass, plastics, and textiles—reflect both the need for alignment with EU regulations and Türkiye's export structure. In particular, in areas such as batteries, electronics, and textiles, eco-design requirements, recycled content criteria, and traceability standards are likely to directly influence competitive conditions. This indicates that circularity has become a transformation domain directly linked to foreign trade and industrial strategies.

The horizontal actions included in the Strategy—green public procurement, strengthening data infrastructure, developing a national green taxonomy, and enhancing carbon measurement systems—provide instruments that guide the market in a long-term and predictable manner. In this framework, Türkiye's approach does not merely aim to increase recycling rates; rather, it constitutes a structural transformation program based on resource efficiency and value preservation throughout the value chain.

Alignment Potential Between the EU and Türkiye Frameworks

The approach shaped by the Circular Economy Act planned for presentation in the European Union seeks to move circularity beyond sector-specific regulations and to establish a functioning and integrated market structure for secondary raw materials. Demand-side instruments, recycled content requirements, and single market harmonization stand out as regulatory measures that directly influence price mechanisms and competitive conditions. This framework positions circularity not merely within environmental performance indicators, but within the broader context of industrial policy and economic security.

In parallel, Türkiye's National Circular Economy Strategy adopts a systemic perspective that links design, production, and monitoring mechanisms. Particularly in areas such as eco-design criteria, increasing the use of recycled content, and data-based traceability mechanisms, technical alignment areas emerge between the two frameworks. Regulatory efforts in the EU aimed at deepening the secondary raw material market may be decisive for Türkiye in terms of export integration and value chain positioning. In this context, alignment potential gains meaning not only through legislative approximation, but through the parallel development of production structures and industrial capacity in line with new market dynamics.

Accordingly, the relationship between the two policy sets should be assessed not as a one-directional alignment process, but within a perspective of mutual interaction and simultaneous transformation in an environment where competitive conditions are being redefined.

Transformation of the Value Creation Logic

The emerging regulatory orientations shaped within the circular economy framework indicate that a competitiveness model defined solely by cost and capacity is no longer sufficient. Resource sourcing and production continuity are no longer merely matters of operational efficiency; they constitute a strategic positioning area that must be addressed together with supply security, price stability, and the integration of secondary raw materials.

This transformation directly affects companies' investment decisions and financial structures. Obligations related to the use of secondary raw materials, recycled content requirements, and traceability standards bring new capital expenditures, data infrastructure investments, and supply chain restructuring into the production process. This demonstrates that circularity is not simply an operational preference, but a structural transformation area that influences balance sheet composition and asset structure.

At the same time, the financing dimension is also evolving. Sustainability criteria, public support mechanisms, and green finance instruments are increasingly prioritizing resource efficiency and the integration of secondary raw materials. In an environment where the cost of capital is progressively linked to performance criteria, access to finance may become relatively more constrained for companies that fail to develop circular capacity. Conversely, investments that strengthen traceability and resource efficiency across the value chain can provide long-term competitive advantage and financial resilience.

Within this framework, the decisive factor is the redesign of production systems in a way that reduces value loss and extends the lifespan of assets. Circularity, in this sense, does not represent a mere operational improvement area; it signals a value creation logic that reshapes investment decisions, capital allocation, and competitive strategy.

For Turkish industry, the prominent approach is not to seek compliance only after regulations are enacted, but to position secondary raw material integration, design strategies, and data infrastructure as early-stage sources of competitive advantage.

Conclusion and Assessment

Supply vulnerabilities that became more visible in the post-pandemic period, geopolitical risks, and volatility in resource costs have led to a redefinition of the fundamental dynamics of competition. The Circular Economy Act initiative, planned for presentation in the European Union in 2026, aims to strengthen the regulatory framework of this transformation from the

perspective of economic security and industrial competitiveness. The orientation toward establishing a functioning and integrated market for secondary raw materials creates a broad sphere of impact, extending from price mechanisms to demand structures.

Within this new framework, the decisive factor is not the realization of value at the point of production, but the extent to which value can be preserved within the system. This approach redefines the economic implications of processes ranging from design choices to supply chain organization and investment decisions. Resource efficiency, traceability capacity, and value chain integration are no longer secondary considerations; they are core components of competitive advantage. Circularity, therefore, does not represent merely an operational improvement area, but a strategic axis that transforms the logic of value creation.

In the coming period, global trade is expected to evolve in line with higher expectations for transparency, longer product lifespans, and more effective resource management. In this context, the decisive question is not whether to comply with regulations, but which position to adopt within the changing competitive order. The Circular Economy Act has the potential to become a defining policy axis within the new competitive landscape shaped around secondary raw materials. The advantage will lie with companies that are able to anticipate this shift early and redesign their production systems in accordance with the emerging framework.



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