

# Helsinki-Uusimaa's non-paper on the Circular Economy Act

## Key messages



All EU legislation must support resource use within planetary boundaries and promote biodiversity and climate action.



Binding, clear and harmonized EU-level legislation for circular economy is crucial for the competitiveness of the whole EU. Circular economy is the source of the growth in the EU and reinforces EU's position in the green transition globally.



Recycled materials strengthen EU's strategic autonomy and reduce dependency on critical raw materials. Circular economy increases food system resilience by reducing reliance on imported and finite resources.



Material design must prioritize environmental safety, circularity, and compatibility with nature.



Public procurement plays a key role to drive circularity — mandatory and reportable circular criteria for procurements above EU thresholds are needed.



Taxation should promote circularity by shifting the burden from labor to virgin resource use; recycled materials must be taxed less.



Producer responsibility should be extended to all sectors and harmonized across all Member States



Harmonized EU rules are needed to prevent reusable materials from being wrongly classified as waste.



Cities and regions are key to implementing circular economy policy on the ground. Long-term funding and investment incentives are vital for regional circular economy ecosystems and skills development.

## Introduction

Helsinki-Uusimaa Regional Council welcomes the European Commission's ongoing efforts to strengthen the EU Circular Economy Legislative Framework. As a region with complex material flows, dynamic innovation ecosystems, and a significant share of Finland's population and industries, Helsinki-Uusimaa region both benefits from and contributes to EU initiatives promoting circularity.

Helsinki-Uusimaa is the 8th most innovative region in the EU (EU Regional Innovation Scoreboard 2025) and one of the fastest growing regions in Europe. Helsinki-Uusimaa is home to a third of Finland's total population and the hub of Finland's international competitiveness, research and development. Circular economy, carbon neutrality and the clean transition in general are in the heart of the future competitiveness of the region. As one of the frontrunner regions in the subject with the background of a well-established functional RDI ecosystems, the Helsinki-Uusimaa Region would like to offer the following recommendations to maximize the success and impact of the future Circular Economy Act.

## Recommendations from Helsinki-Uusimaa:

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### **Circular economy increases competitiveness and decreases critical dependencies contributing to EU, national and regional resilience**

Circular economy action in Helsinki-Uusimaa region is linked to climate goals (carbon neutrality by 2030), material savings, cost efficiencies, economic vitality, resilience, and resource security. **Binding, clear and harmonized EU-level legislation for circular economy is crucial for the competitiveness of the whole EU. Circular economy is the source of the growth in the EU and reinforces EU's position in the green transition globally.** Circular economy is a strategic pillar—supporting economic development, security of supply, and the reduction of dependence on critical raw materials. Europe remains significantly dependent on imported raw materials, many of which are subject to supply risks and price volatility.

Value chains in the EU must be resilient and able to withstand disruptions in production, logistics, or access to raw materials. Circular solutions reduce reliance on imported oil, gas, fossil-based chemicals and materials. **The use of recycled materials in closed-loop resource cycles strengthens the EU's strategic autonomy and reduces dependency on critical raw materials.**

EU also needs to create unified standards for the circular economy within the EU. Example, targeting consumer goods, **the removal of customs exemption for shipments under 150 euros and imposing a handling fee on them**, and ensure the collection of VAT from package flows.

Efforts to promote the circular economy must be environmentally sound and not lead to unintended negative impacts. **Material design must therefore be directed towards reducing environmental harm, ensuring that materials are safe, circular, and compatible with natural systems.**



## **Promoting regional circular economy actions is pivotal**

As the European Commission prepares future legislation to accelerate the transition towards a circular economy, the Helsinki-Uusimaa Region urges the inclusion of clear recognition and support for regional ecosystems and European innovation networks as key enablers of systemic change. **Regions and cities are in a crucial role in bridging policy and practice.** The Helsinki-Uusimaa Circular Hub exemplifies the importance of these regional ecosystems. This initiative brings together municipalities, businesses, research institutions, and regional development organizations to co-create and implement circular economy solutions.

Effective circular economy development requires close collaboration across sectors. In the Triple Helix model – linking public sector, business, and academia – the involvement of an independent, neutral party is crucial. This facilitator strengthens trust, supports balanced ecosystem development, and ensures that collaboration serves the wider public interest.

The Helsinki-Uusimaa Circular Hub -ecosystem has already been recognized by the Commission as part of the Circular Cities and Regions Initiative (CCRI), positioning Uusimaa as one of the EU's pilot regions. Through the CCRI, the region benefits from expert support, enhanced value chain cooperation, and opportunities for international collaboration.

## **Circular economy promotes local food safety**

**The circular economy reinforces food system resilience by promoting local, resource-efficient and waste-minimizing production methods that reduce dependency on imported inputs (such as fertilizers) and finite resources.**

Investing in regenerative and organic agriculture and diversifying protein sources contributes to a more sustainable and resilient European food system. Promoting biogas production and nutrient recycling would also support the EU's nutrient and energy self-sufficiency. Equal inclusion of primary producers in value chains and business models should also be ensured.



## **Coherent EU regulation to thrive circular economy: VAT reductions, environmental tax added and public procurement criteria**

Coherent legislation supports and enables the development and investments in circular economy. **All EU legislation must be aligned with the goal of using resources within the planetary boundaries, enhancing biodiversity and addressing climate change through both mitigation and adaptation measures.** The EU must ensure that regulation removes overlapping or conflicting requirements that hinder innovation. The proposed regulation should prioritize the conservation of natural resources and the extension of product lifespans. The focus must first be on keeping products and materials (including nutrients for food production) in use for as long as possible, through reuse, repair, and remanufacturing. Only after these strategies should recycling and the use of secondary raw materials be considered. The goal must be to promote the creation of high-value products through upcycling, rather than downcycling materials into lower-value outputs.

Yearly, public authorities in the EU spend around 14% of GDP on the purchase of services, work and supplies. The public sector can use procurement to boost jobs, growth, and investment in circular economy. It must also be ensured that the upcoming public procurement directive revision is in line with the Circular Economy Act and promoting CE criterias. Also, the legislation for public procurement should not be complicated to implement, because that would hinder progress. Implementing easily applicable criterias, not just on product level, but also in design phase, is important. **The EU Circular Economy Act should help public sector to use public procurement as a channel to enhance circularity.** Examples include public procurement in the construction sector for reuse materials and in food services promoting recycled fertilizers. Circular economy criteria should be made mandatory and subject to reporting requirements for all procurements exceeding the EU thresholds.

In addition to possibilities in procurement, cities and municipalities serve as testbeds and are often early adopters for new circular economy solutions. In the Helsinki-Uusimaa region, there is an ongoing pilot to create a building component bank with aim to enhance reusing of building materials in municipalities. **Incentives in piloting and in investments are crucial to circular economy as they are not profitable in the beginning but create value and security in the long run.**

**Taxation should serve to enhance circular economy.** The regulation should specify that recycled materials should be subject to a lower overall tax burden than their virgin equivalents. The VAT should not be paid for secondary, circulated material. This kind of double-taxing hinders the market for circular economy. **There should be a taxation shift from labor towards virgin resource use and taxation/pricing in high density CO<sub>2</sub> and biodiversity harnessing processes and products.** This would also create demand for circular repair

services and business. The region boldly suggests **removing VAT on circular products, materials and unused side streams for the next 10 years to create a momentum for circular innovation and market to arise.**

EU has already taken great initiative in setting **producer responsibility** in place in certain sectors and product categories. This **should be extended to all sectors and harmonized across all Member States**, while allowing flexibility in national implementation.

The current lack of harmonization at the EU level in the interpretation of “end-of-waste” criteria creates significant barriers to circular material use. Diverging interpretations by Member States and authorities make the use of recycled materials uncertain and costly. In the construction sector, the boundary between waste and product remains unclear, which slows down investments and hinders the development of secondary material markets. There should be clear criteria for the use of sewage sludge to enhance its utilization as a raw material, including threshold values for harmful substances, designated application areas, and safety standards. **Care should be taken to avoid the unnecessary classification of reusable materials as waste**, particularly in cases where safe and efficient reuse is possible. Examples include also materials with potential applications in the food chain.

**To support common EU circular economy legislation, we need also the development of shared indicators.** Currently, monitoring practices vary widely between Member States, which hinders comparability and policy alignment. A thematically broad but scalable indicator set, also to monitor behavioral change, should be co-developed feeding results into EU-level monitoring frameworks.



### **Circular economy requires secured funding**

Innovations in circular economy generate green jobs, growth and attract new investments to Europe. The EU should prioritize funding of circular economy in its multi-annual financial framework and Horizon Europe programs, as well as scaling and commercialization of circular economy solutions. The circular economy transition, including competence development, is progressing slowly and calls for long-term support resources to ensure effective implementation. Funding for RDI activities is a necessity to drive progress towards the Union’s competitiveness, climate and biodiversity objectives.

**To effectively advance the circular economy across Europe, stable and long-term funding for regional circular economy ecosystems and expertise development is essential.** This should be supported through EU instruments such as Horizon Europe and the Cohesion Fund. Future EU circular economy frameworks should more strongly integrate regional innovation ecosystems, acknowledging their key role in translating policy into practical solutions.