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As a European business school committed to sustainable business practices, we welcome the European Commission's development of the Circular Economy Act and are convinced that it represents a historic opportunity to transition to more environmentally sound models of production and consumption. To reap the full benefits of circularity, we believe the Act must incorporate the following concepts and approaches:

**Focus on the environment.** In the current geopolitical context, and informed by recommendations such as the Draghi Report, the transition to a circular economy is being framed as a path toward resilience, security and autonomy. While these are crucial continent-wide goals, we cannot forget that the circular economy is first and foremost an environmental issue to resolve problems related to resource overextraction and waste generation. The current context imbues the Act with an extra sense of urgency, but this transition must not be centered on resilience and autonomy. Instead, the guiding principle must be safeguarding the environment. Even in a simpler geopolitical context, the transition to a circular economy would be urgent and important.

**Complete material and product flow.** Closely related to the above point, a focus on resilience and autonomy runs the risk of circularizing only the materials that make us the most vulnerable ("critical raw materials"). We cannot limit our efforts in that way, and instead must seek to circularize every material and product flow—even those that make us neither vulnerable nor dependent but still generate problems of resource extraction and waste generation.

**Broad understanding of the circular economy.** The Call for Evidence focuses almost exclusively on material flows, referring to "materials" 22 times, "products" 6 times, and "repair" and "business models" once each. Materials are, without doubt, extremely important. But the circular economy is much more than that, and material recovery should be less a priority than higher forms of recovery, such as extending the lifecycle of products and developing new business models that do not rely on ownership. Focusing only on materials runs contrary to what the circular economy, in its fullest sense, entails.

**Clear, unified monitoring and enforcement.** As long as each member state is responsible for monitoring and enforcing the Act, its execution and progress will be highly heterogeneous, regardless of how harmonized the source regulation is. In addition to "getting the economics right" to incentivize businesses to transition to a circular economy, clear monitoring and enforcement mechanisms and resources must be put into place.

**Making EU consumers part of the solution.** The current document focuses largely on businesses and markets for secondary raw materials, but we must also make consumers and citizens central to this transition. Previous regulation such as the Ecodesign for Sustainable Products Regulation of 2024 stresses empowering consumers through more and better information at the time of purchase. We must also engage consumers and citizens in the collection of used products for recycling

and in business models based on repair, shared usage, etc.

There is a growing body of research related to attracting consumers to those, and the new Act should take an evidence-based approach to engaging consumers in the circular economy. For example, if consumers fail to do their part in collecting used electronics, it will not matter that we have the infrastructure to recycle electronic waste or the unified internal market for secondary raw materials.

**Learning from past failures.** In 2010, circularity rates were 10.7%; in 2023, they were 11.8%. Over the same time period, the EU implemented the Circular Economy Action Plan of 2015 and its revision of 2020. Clearly, these two action plans failed to increase circularity in the EU. Before embarking on a new policy, a careful analysis of the previous two plans is crucial, or the current Act may also fall far short of real change. The solutions and roadmap to a circular economy must emerge, in part, from examination of the processes and outcomes of previous plans and regulations through rigorous research.

**Research-based solutions.** Related to many of the above points, the Circular Economy Act must be built on critical and evidence-based foundations informed by experts. This provides a rich opportunity for collaboration with academics, and from IESE Business School we are committed to contributing any insights or expertise that the European Commission feels relevant.

Sincerely,

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