



**UPM's position on Circular Economy Act**

**Circularity is non-negotiable:  
Europe's industrial growth  
depends on getting this right**

**Europe's industrial growth depends on accelerating a circular economy that breaks fossil dependency while driving competitiveness and resilience.**



**As highlighted in the Draghi Report, key sectors like chemicals and advanced materials will continue to rely on carbon, not as fuel, but as indispensable feedstock. This makes circularity not a choice, but an urgent imperative: it is the cornerstone for redefining manufacturing, strengthening Europe's industrial base, and reducing environmental pressure. Achieving this shift requires a fundamental transformation: new sustainable inputs, upgraded infrastructure, and industrial synergies.**

Renewable solutions are essential complements to recycling. In many sectors, recycling alone cannot meet long-term demand as material quality degrades, supply remains uncertain, and voluntary action falls short. Without integrating sustainable renewable options, a net-zero materials system will remain out of reach.

To unlock private investment and ensure industrial strength, Europe must introduce ambitious binding targets for renewable solutions in key product legislation. This would provide a credible compliance pathway, ensure fair competition, and catalyze growth in future-fit value chains.

Policymakers must therefore ensure a strong alignment between the Bioeconomy Strategy and the Circular Economy Act. Only by combining circular economy with bioeconomy in a bold, coherent strategy can the EU deliver Clean Industrial Deal, one that safeguards climate goals, reinvigorates Europe's industrial core, and positions the EU as a global leader in sustainable manufacturing.

**Against this backdrop, UPM has three recommendations to ensure the Circular Economy Act achieves its full potential:**

- 1. Treat renewable materials as circular inputs on par with recycled content**
- 2. Improve separate collection and recycling**
- 3. Allow valorization of side streams**

# 1. Treat renewable materials as circular inputs on par with recycled content

## Problem:

Europe's material system remains deeply tied to fossil resources, a structural dependency that threatens both climate goals and industrial resilience. Today, over 80% of plastics in Europe are still produced from virgin fossil feedstock<sup>1</sup>. And despite significant efforts, recycling alone cannot meet future demand or close the materials gap. Even under the most ambitious reduce-reuse-recycle scenarios, Europe will still require up to 28 million tonnes of virgin plastics annually to meet essential functional needs<sup>2</sup>. Without a shift to sustainable alternatives, plastic production and disposal could emit up to 180 Mt CO<sub>2</sub>e per year by 2050, undermining decarbonization target.

## Key solutions:

1. Stimulate market demand through ambitious binding targets for renewable solutions in key end-use sectors like packaging, textiles, and construction. Complementing existing recycled-content quotas for plastic packaging in Packaging and Packaging Waste Regulation (PPWR) with a minimum 10% bioplastics target would speed up circularity and steep decarbonization. Setting clear minimum shares under robust sustainability criteria gives investors certainty, boosts sustainable value creation, and will help secure industrial growth in Europe. This target, while representing a modest fraction of total volumes, can deliver a quantified reduction in carbon footprint: recent UPM data show that incorporating bioplastics in PET bottles via a mandatory target can reduce carbon emissions by up to 40% with only a marginal cost increase (less than 1 EUR cent per bottle).<sup>3</sup>
2. Treat renewable materials as circular inputs on par with recycled content, per ISO 59020.<sup>4</sup> Virgin renewable raw materials can be supplied to material loops according to principles of circular economy, in a sustainable way. Circular input should be formally integrated in the EU product policy framework and the CMUR (circular material use rate) indicator.

## UPM role:

At UPM, we are demonstrating what's already possible. UPM biorefineries in Leuna (Germany) and Lappeenranta (Finland) are pioneering renewable alternatives to fossil-based options at industrial scale. These facilities are the operational proof that Europe still has the capabilities to lead.

As strategic assets for Europe's industrial growth, biorefineries:

- reduce fossil dependency by replacing fossil feedstocks with sustainable biomass
- cut emissions at the source, advancing Europe's climate goals
- create high-value jobs and anchor new industrial ecosystems
- boost supply security and reduce reliance on volatile global markets
- catalyze innovation, offering platforms to scale cutting-edge technologies

Our Leuna biorefinery, the largest chemical investment in Europe today, is a flagship not only for the region, but for the entire European sustainable transformation. To ensure that biobased solutions like these continue to progress and scale across Europe, the EU must embed biobased content quotas into its product policy - creating clear market demand and long-term certainty for sustainable materials.

# 2. Improve separate collection and recycling

## Problem:

Inconsistent and partly outdated recycling systems, fragmented waste legislation, and lack of harmonized Extended Producer Responsibility (EPR) across the EU limit the efficient recovery of valuable materials. Companies operating in several EU Member States currently need to comply with differing national recycling and reporting rules, which hampers the functioning of a single European market.

## Key solutions:

1. Strengthen separate collection and limit possibilities for national derogations.
2. Harmonize existing EPR rules across the EU to reduce compliance costs and enable better flow of recyclable materials across borders.
3. Earmark EPR fees to the same material's recycling infrastructure to ensure investments in recycling infrastructure and cover the full costs from collection to recycling. Channel EU support into developing recycling technologies and infrastructure.
4. Avoid state-run producer responsibility organizations (PROs) as they carry a risk of using EPR fees to finance the general state budget. EPR fee collection exceeding the cost of separate collection and recycling should not be allowed.

## UPM role:

UPM packaging papers are made from sustainably sourced virgin wood fibres, offering brands an alternative to fossil-based packaging for products such as dry, frozen, and greasy foods. Virgin fibres guarantee food-contact safety, which recycled fibres cannot provide. All our fibres are 100% traceable to their origin.

To protect against grease, moisture, and oxygen, very thin barrier layers are applied on paper - often using synthetic polymers. These layers deliver the required performance while keeping UPM packaging papers and final packaging solutions recyclable in existing paper and cardboard recycling streams.

However, to move away from fossil packaging materials and mainstream such new sustainable options, also recycling infrastructure needs to develop. Today, unharmonized collection and sorting systems, along with legacy recycling infrastructure, limit innovation and the development of new sustainable packaging solutions. With the Circular Economy Act, the European Union has a chance to enhance the uptake of best available recycling technologies across all EU countries.

# 3. Allow valorization of side streams

## Problem:

The utilization of industrial side streams is heavily regulated through several partly overlapping regulations, such as waste, chemical, and product regulations. Productization of side streams is challenging and inconsistent, and the same product can be classified as waste or by-product in different Member States, hindering the single market. Environmental permitting for the use of waste materials has proven burdensome and slow.

## Key solutions:

1. Clarify inconsistencies and capture synergies between the legislations regulating side stream utilization (REACH, fertilizer and waste legislations) to facilitate productization and use of side streams.
2. Harmonize the classification of side streams and by-products. Industrial side streams should not be defined as waste.
3. Streamline permitting of secondary raw materials utilization and harmonize the definition of by-products and end-of-waste across Member States.
4. Expand eligibility of side-streams in EU fertilizer legislation to improve nutrient recycling and contribute to critical raw material resilience.

## UPM role:

UPM produces industrial side streams that can be utilized in various applications, such as earth construction and agricultural purposes, to replace virgin raw materials. However, slow, complicated and inconsistent permitting and productization processes hinder the utilization.

In a recent example, UPM together with a partner, developed low-carbon bellite cement products for soil stabilization purposes from UPM's side streams such as green liquor dregs and ash. An environmental permit for cement production from UPM's side streams and end-of-waste status for the final products were applied.

However, after a delayed process, permit for cement production and end-of-waste status for the final products were not granted. In conclusion, an investment decision cannot be made with the current permit, and the production of novel low-carbon cement from side stream materials could not be realized.

<sup>1</sup> Plastics Europe (2024): Plastics – the fast facts 2024

<sup>2</sup> Systemiq (2025): Fossil-free plastics: driving clean industrial leadership in Europe

<sup>3</sup> More information [here](#).

<sup>4</sup> ISO 59020 sets forth requirements and guidance for organizations to measure and assess their circularity performance within defined economic systems. This document aims to standardize the process by which organizations collect and calculate data using mandatory and optional circularity indicators, ensuring consistent and verifiable results.

## Conclusion

The forthcoming Circular Economy Act is a critical moment to align EU industrial policy with climate ambition while securing industrial growth. To revitalize Europe's industrial base and reclaim global leadership in sustainable manufacturing, we must adopt a bold approach that keeps carbon in the loop, accelerates the use of renewable materials, and strengthens circular industrial ecosystems.

This is not just an environmental imperative; it is an industrial one. A strong, coherent policy framework is essential to drive innovation, attract investment, and build the resilient value chains needed for a competitive, climate-neutral Europe. By integrating renewable and recycled inputs within well-defined regulatory frameworks, Europe can achieve quantifiable progress towards its decarbonization targets and build resilient, future-fit value chains.

At UPM, we are ready to support this transformation through cutting-edge technologies, strategic investments, and deep value chain collaboration. Now is the time for Europe to lead in building the circular economy of the future.

## About UPM

UPM is a material solutions company with leading global market positions in several businesses. We contribute to the sustainable transformation of society with resource-efficient material solutions made from renewable feedstocks. Our broad portfolio supports a wide range of industries with renewable fibres, advanced materials, decarbonization solutions, and communication papers. We collaborate with industries and brands worldwide. Our roots are in the paper and forest industries, and they remain an important part of our business, while our growth ambitions focus on expanding our high-value, material science-driven operations. We are recognized for our sustainability by third parties, including EcoVadis and the Dow Jones Sustainability Indices. Our shares are listed on the Nasdaq Helsinki Ltd.

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