

The Finnish Textile & Fashion Association (STJM) supports the European Commission's objective to prepare the Circular Economy Act (CEA) by 2026. The Finnish textile and fashion industry has long called for a clear and coherent legislative framework that consolidates key circular economy regulations, ensures their compatibility, and enables predictable implementation.

STJM emphasises that the CEA shall strengthen the functioning of the EU Single Market and companies' competitiveness, streamline the regulatory landscape, and reduce administrative burden. During the preparation of the Act, it is essential to ensure that new requirements do not duplicate other legislation, such as the Waste Framework Directive or the Ecodesign for Sustainable Products Regulation.

Promoting circularity is an important part of the Finnish textile industry's sustainability transition, but it should be achieved in an economically viable manner that supports competitiveness, investments, and innovation.

Key Observations and Recommendations for the Circular Economy Act

To support a predictable and competitive single market for circular textiles, STJM considers it essential that the CEA addresses and advances the following areas:

- **Establish a single EU-level One-Stop-Shop system for extended producer responsibility (EPR)** to ensure harmonised implementation and reduce national fragmentation.
- **Facilitate the utilisation of textile side streams and define them as secondary raw materials** to accelerate material circulation and investments in recycling.
- **Develop consistent and practical criteria for sustainable public procurement** to support the growth of innovative and sustainable textile markets.
- **Reduce administrative burden and overlapping reporting** by integrating existing data systems and reporting requirements.

Overall, the CEA shall simplify and harmonise EU requirements for textiles. It shall offer companies predictability and legal certainty, alongside effective implementation and enforcement across all Member States.

Harmonisation and Governance of Extended Producer Responsibility

The preparation of the CEA shall ensure that the principles and implementation of EPR are consistent across the EU. A jointly agreed and directly applicable EU-level framework would prevent the emergence of 27 separate national systems and create equal competitive conditions for producers.

EPR implementation shall be clear, manageable, and predictable for companies. Regulation shall avoid overlapping national registration or reporting obligations. The CEA shall promote the introduction of an EU-level One-Stop-Shop as the sole platform for reporting and administration, reducing burden and eliminating duplication across national systems.

EPR shall remain a legislative obligation rather than a business model. Producer Responsibility Organisations (PROs) shall operate on a non-profit basis under producer oversight, with transparent and accountable governance. EPR fees shall be predictable, transparent, cost-efficient, and proportionate to actual needs and achievable environmental benefits. Eco-modulation criteria shall be harmonised at EU level to genuinely reward sustainable design and high-quality products.

Free-riders within EPR, particularly non-EU operators and online marketplaces, shall be addressed effectively to ensure fair cost distribution. STJM stresses that the CEA shall more strongly promote an EU-level mechanism ensuring that cross-border distance sellers and online platforms contribute to lifecycle-related costs. The current model, which leaves enforcement to individual Member States, does not ensure equal competition between EU-based companies and external operators.

Utilisation of Textile Side Streams

For circularity to materialise, textile industry side streams and cutting waste directed to genuine recycling shall be classified as secondary raw materials rather than waste. This would enable efficient movement of materials within the EU Single Market, reduce administrative burden, and create better conditions for investment.

STJM considers it essential that the CEA shall advance clear, harmonised rules for the classification of such side streams to ensure that their utilisation is both economically and administratively viable.

Public Procurement and Market Uptake

The CEA shall strengthen the role of public procurement in developing sustainable, innovative, and circular textile markets. Public procurement can accelerate demand for sustainable and innovative solutions and support the emergence of new markets.

Including sustainability criteria in textile and apparel procurement is justified. The CEA shall establish a framework for consistent and practical criteria that support sustainable and innovative supply. The criteria shall be clear, verifiable, and accessible for SMEs. They shall be gradually integrated into EU procurement guidance and based on minimum mandatory requirements to reinforce the internal market for circular textiles across the Union.

Criteria shall avoid contradictory requirements and over-prescriptive rules so that space remains for new solutions. Strengthening procurers' expertise and maintaining active dialogue with companies are also essential for successful sustainable procurement.

Summary and Recommendations

The CEA offers a critical opportunity to reinforce the coherence, competitiveness, and functioning of the EU's circular economy policy. It shall simplify and harmonise regulations and provide clear, predictable conditions for textile and fashion companies.

STJM emphasises that a well-functioning single market and predictable regulation are prerequisites for a competitive and sustainable circular transition in Europe's textile sector.

The Act shall promote the integration of reporting and data requirements into a single EU-level system that reduces duplication and alleviates administrative burden, particularly for SMEs. At the same time, economic incentives, such as VAT reductions or exemptions for circular business models shall be considered to enhance competitiveness and support investment in sustainable solutions.