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CIRCULAR ECONOMY POLICY FOR GREEN GROWTH

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EXECUTIVE SUMMARY

The circular economy represents not only a compelling economic opportunity but also enables the world to transform to a sustainable future. It offers the UK a pathway to deliver strong, secure, and sustainable economic growth while boosting living standards across every region. The concept of circular economy is based on keeping products and materials in use for as long as possible through reuse, repair, remaking and recycling. It reduces waste, pollution and pressure on finite resources by redesigning products, business models and supply chains.

The economic case

The World Economic Forum identifies circularity as a $4.5 trillion global economic opportunity by 2030. International investment in circular economy businesses reached $164 billion between 2018 and 2023, with annual growth of 34% between 2018 and 2022. Businesses implementing circularity are more resilient, with the UN citing that strategic circular economy interventions could reduce global material extraction by 28% by 2050, simultaneously insulating economies from price volatility connected to unstable virgin materials markets and fierce competition for increasingly scarcer critical resources.

The current policy context demands action

Since leaving the EU, the UK has experienced regulatory divergence from EU circular economy legislation. While the EU is advancing its regulatory frameworks through the development of the Circular Economy Act expected in 2026, the UK implementation has been characterised by delays. Extended Producer Responsibility for packaging only launched in 2024/25, the Deposit Return Scheme is scheduled for 2027, and promised consultations on food waste targets have not materialised. Current regulations often work against circular principles, with fiscal frameworks prioritising speed and cost over sustainability. For businesses operating across UK-EU markets, regulatory misalignment introduces compliance costs and competitive disadvantages.

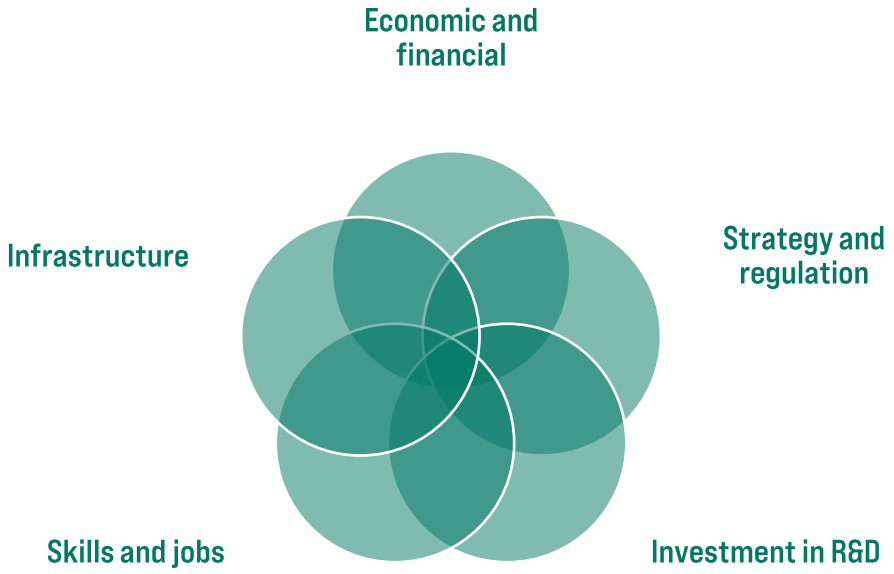
The UK's Modern Industrial Strategy and National Infrastructure Strategy both reference the government's commitment to a Circular Economy Strategy, due for publication in Autumn 2025 alongside sector-specific roadmaps for agrifood, the built environment, textiles, chemicals and plastics, electrical equipment and electronics, and transport. It is hoped that by bringing the different strategies and frameworks together the strategy will capitalise on the momentum and energy within the sectors.

Recommendations to government

This paper presents ISEP's recommendations to the UK government for a policy framework built on **five interconnected pillars** to achieve its vision of moving to a circular economy and reducing waste. There is a unique opportunity for the government to take forward many of these recommendations in the forthcoming Circular Economy Strategy for England, expected late 2025, but must also be matched by consistent delivery and ambition across the UK devolved administrations. To successfully implement a more circular and resilient economy through the proposed measures, it is essential that the upcoming Circular Economy Strategy considers some overarching principles, including:

- Ensure complementary high-level ambition across the UK countries and regions in order to facilitate delivery and attract investment at scale to the circular economy agenda.
- Moving the dial beyond managing end-of-life waste, driving action up in areas such as prevention and reuse, and working to decouple material consumption from economic prosperity. This will support a more comprehensive view of circularity, create new markets, drive innovation and create job opportunities.
- Work closely with partners internationally to ensure alignment, so that there can be a consistent approach across the global economy that maximises the benefits for communities and businesses.
- Engage the general public and the business community on the benefits of moving to a circular economy so that the benefits are clearly understood.

The five interconnected pillars of policy include:



Economic and financial reform proposals include reviewing taxation on virgin materials, reducing VAT on repair and reuse services (new builds carry no VAT while refurbishments incur 20%), and embedding circularity standards in public procurement and trade agreements. Behavioural levers including repairability labelling and right-to-repair policies would support consumer adoption as 56% of consumers cite quality concerns as the main barrier to buying circular products.

Strategy and regulation measures should implement sectoral roadmaps that align with the Modern Industrial Strategy, binding resource productivity targets and product standards prioritising durability and repairability. Additionally, it's recommended that ESPR-style Ecodesign powers, right-to-repair obligations, and bans on destroying unsold goods are considered as part of a holistic regulatory landscape. Extended Producer Responsibility should expand beyond packaging into textiles, furniture and electronics. Digital Product Passports compatible with EU standards would provide verified product-level data. Certification frameworks such as BS 8887 for remanufacturing and ISO5040 would help to give insurers and buyers confidence to treat certified remanufactured goods as equivalent to new products.

Investment in research, development and innovation should align with the principles of circularity. Reforming end-of-waste regulations, integrating circular economy requirements into public procurement and leveraging existing regional networks for example the 38 Growth Hubs in England, Scottish Enterprise, Development Bank of Wales, and Invest Northern Ireland would enable sectors and regions to harness opportunities within their local areas. R&D funding should prioritise material recovery for complex materials including for example composites in wind turbines and rare earth elements in solar panels and batteries to insulate the UK economy from supply chain turbulence.

Skills and jobs are key to effective circular transformation. The development of a national Circular Skills Plan would facilitate creation of good quality jobs. Implementation requires updated apprenticeships for repair and remanufacture, incentives for training, targeted bursaries for career changes, and micro-credentials linked to recognised standards. A place-based approach would tailor skills development to local needs. A wider social impact assessment would identify risks and opportunities for vulnerable workers domestically and internationally enhancing UK's credibility globally.

Enabling infrastructure for critical raw material recovery through strategic planning, investment and regulation would enable the UK industries to be more resilient to supply chain shocks providing a steady supply of materials essential for clean technologies and key sectors. Scaling anaerobic digestion capacity following mandatory food waste collection could create many direct and indirect jobs, often in rural areas. Sustainable transport and logistics systems supporting reverse logistics would enable efficient resource circulation. Interoperable Digital Product Passports compatible with EU regulations would provide seamless tracking of materials making it more effective for UK businesses to trade with our nearest neighbours.

Implementation requires coherence

Our recommendations form an integrated system where fiscal reform, regulation, innovation support, skills development and infrastructure investment reinforce one another. Alignment with emerging EU standards will be crucial for UK businesses, reducing divergence costs while maintaining market access. The social sustainability elements of the proposed interventions are crucial. If implemented mindfully, the circular economy offers a pathway to address cost-of-living pressures by creating quality jobs, enable families to save money through resource efficiency, and protect communities from supply chain disruptions.

The transition to a circular economy is both an environmental necessity and a strategic economic choice. The policy tools exist; what is required now is coordinated political will and sustained implementation across government.

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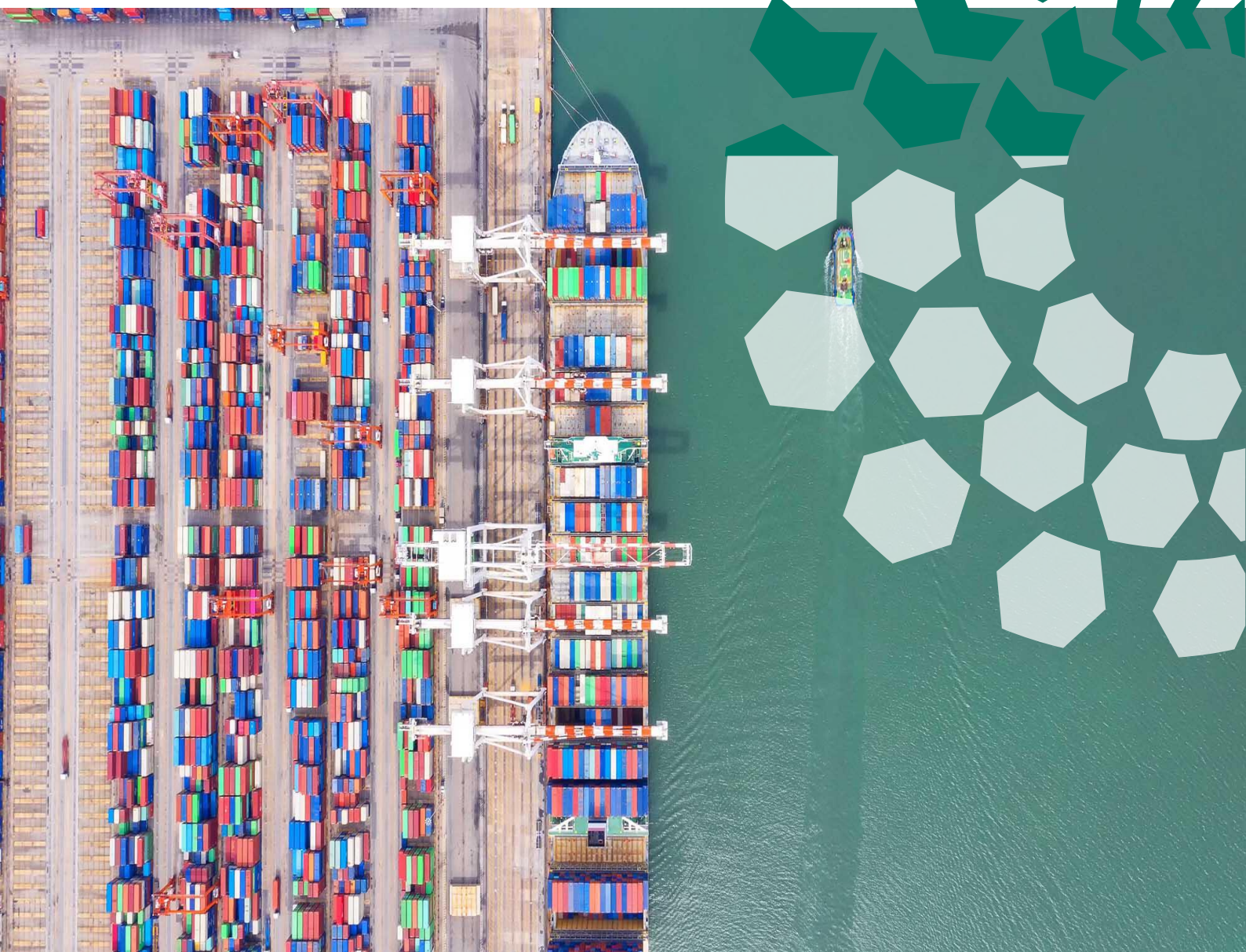
1.BACKGROUND

The circular economy is an approach that keeps products and materials in use for as long as possible through reuse, repair, remaking and recycling. It reduces waste, pollution and pressure on finite resources by redesigning products, business models and supply chains. In this, it seeks to achieve regeneration and long-term value.



1. Introduction

The circular economy presents one of the most compelling economic opportunities of the 21st century. It offers the UK a clear pathway to address multiple interconnected challenges that are at the heart of the Government's agenda to deliver strong, secure, and sustainable economic growth in order to boost living standards for working people.

Far from imposing economic costs, the transition from a linear "take-make-dispose" model to a circular approach where materials remain in use at their highest value represents a fundamental shift toward resilient and inclusive prosperity. It could also ease the cost-of-living pressures and supply chain vulnerabilities while creating jobs and delivering on key aspects of environmental sustainability. As 45%[1] of the greenhouse gas emissions are connected to the products used in everyday life, circular economy can contribute to emissions reduction needed to tackle climate crisis. The resource use also has significant impact on our land and water with 90% of the total land use related biodiversity loss and water stress caused by biomass production[2]. These impacts continue to raise but can be tackled by managing our resources better.

With the World Economic Forum identifying a $4.5 trillion global opportunity by 2030[3], leading financial institutions mobilising hundreds of billions in investment, and evidence from the COVID-19 pandemic demonstrating that circular businesses experienced dramatically less disruption than their linear counterparts, the economic case is clear: circular economy principles can deliver growth, create quality jobs, reduce costs for families, and build the economic resilience essential for navigating an uncertain global landscape.

The World Bank's "Squaring the Circle"[4] report demonstrates that comprehensive circular economy policies in Europe offer significant potential to reduce material consumption while simultaneously enhancing both economic growth and population welfare. The OECD[5] has identified five scalable circular business models, from resource recovery to product-as-a-service, that can boost resource productivity and competitiveness across industries.

Multilateral initiatives are already mobilising unprecedented resources toward circular transitions. The Platform for Accelerating the Circular Economy (PACE) facilitates blended finance and public-private partnerships to accelerate this transition[6]. The UN Environment Programme's International Resource Panel

[1] Ellen MacArthur Foundation and Material Economics (2019). Completing the picture how the circular economy tackles climate change
[2] International Resource Panel (2024), Global Resources Outlook 2024: Bend the trend: Pathways to a liveable planet as resource use spikes
[3] World Economic Forum (2019), Harnessing 4IR for the Circular Economy
[4] World Bank (2022), Squaring the Circle: Policies from Europe's Circular Economy Transition
[5] OECD (2019) Business Models for the Circular Economy: Opportunities and Challenges for Policy
[6] Platform for Accelerating the Circular Economy

demonstrates that strategic circular interventions could reduce global material extraction by 28% by 2050 while conserving resources and insulating economies from price volatility[7].

Observed competitiveness gains are equally compelling. UNIDO's analyses indicate that firms adopting resource-efficient manufacturing practices can achieve significant production cost reductions while accessing new export markets for remanufactured goods[8]. The International Chamber of Commerce argues that harmonised standards and tariff removal could boost trade in secondary raw materials as well as remanufactured and repaired goods in the next decade[9].

The private sector response reflects genuine market confidence in economic returns. Regional development banks have committed to blended-finance mechanisms capable of leveraging significant resources for waste-to-resource projects[10], while major financial institutions including BNP Paribas[11] and Standard Chartered[12] have channelled hundreds of billions into sustainable finance, specifically citing circular projects as core opportunities.

Asset managers are following institutional investors' lead. Global investment in circular economy has expanded rapidly in recent years, rising to an estimated $164 billion between 2018 and 2023 as capital markets increasingly recognise circular business models as a viable growth opportunity[13]. Generation Investment Management supported a number of circular businesses such as BackMarket, an online marketplace focused on refurbished consumer electronics[14] a now embeds circular criteria across its equity analyses[15], signalling increased market integration of circular principles.

The circular economy's value extends beyond growth metrics to fundamental economic resilience, so crucial in uncertain times. Circular economy principles strengthen supply chain security by reducing dependence on volatile global markets for virgin materials that are prone to price shocks and disruptions. By keeping materials circulating domestically and developing local recovery and remanufacturing capacity, the UK can also create opportunities to onshore production in strategically important sectors, particularly for critical raw materials essential to clean energy, life science and medicine, advanced manufacturing, and digital technologies. This resilience was demonstrated for example, during the COVID-19 pandemic where a study of Belgian businesses showed that 66% of companies employing circular business models indicated they didn't suffer any losses compared to just 2% of 'non-circular' companies[16]. This demonstrates how circular practices can build in security into business operations. This resilience reflects the broader economic case for competitive sustainability, as highlighted in the University of Cambridge Institute for Sustainability Leadership's 2024 Index, which positions circularity as a strategic lever for enhancing productivity, insulating economies from global shocks, and strengthening long-term competitiveness.[17]

[7] UN (2017), Resource Efficiency: Potential and Economic Implications - International Resource Panel Report
[8] UNIDO (2017), Circular Economy
[9] ICC (2021), The circular economy and international trade: Options for the World Trade Organisation
[10] Chatham House (2021), Financing an inclusive circular economy: De-risking financing for the circular economy
[11] BNP Paribas (n.d.), A more virtuous economic model; From linear to circular, a necessary transition
[12] Standard Chartered (2024), Transition Plan 2024
[13] Circle Economy (2025), Circularity Gap Report Finance
[14] Generation Investment Management (2025), Sustainability and Impact Report 2024
[15] Generation Investment Management (n.d.), Generation IM Sustainable Solutions Fund III, LP
[16] The Ellen MacArthur Foundation (2022), Circular economy's impact on global trade and supply chains
[17] CISL (2024), 2024 Competitive Sustainability Index Shaping a new model of European competitiveness 'beyond Draghi': Summary for policymakers.

Critical to realising these economic benefits is ensuring that circular economy transition supports wellbeing, quality employment and social equity. The International Labour Organization estimates 6-7 million formal jobs globally from circular transitions[18], while stressing the need for strong labour standards to prevent informal sector displacement. Trade unions including IndustriALL[19] and the UK TUC[20] advocate for early social dialogue, comprehensive skills training, and quality assurances to ensure circular economy roles are safe, well-paid, and collectively organised.

Perhaps most importantly for current UK circumstances, the circular economy offers a pathway to address cost-of-living pressures while driving growth from the bottom up. By creating good-quality, well-paid jobs, enabling families to save money through resource efficiency, and protecting communities from critical supply chain disruptions, circular economy policies can ensure that all segments of society benefit from economic transition rather than bearing its costs.

The evidence is clear: circular economy principles represent not just environmental stewardship, but sound economic strategy that can deliver growth, resilience, and social justice simultaneously. The question is not whether the UK can afford to make this transition, but whether it can afford not to.

[18] ILO (2024), People and data gathering key to build more circular economies
[19] IndustriAll (2022), More and fair circular economy: towards strategic autonomy for industrial jobs and a cleaner environment
[20] TUC (2025), Proposal for new mandatory human and labour rights and environmental due diligence legislation

2. Policy landscape

The UK's circular economy policy framework has long been linked with the EU direction of travel until the UK's exit from the Union. Since then, the UK's strategy was set out in the 2018 Resources and Waste Strategy for England, which established key commitments including matching or exceeding EU Ecodesign standards and introducing Extended Producer Responsibility (EPR), Deposit Return Scheme (DRS), consistent recycling collections as well as measures to address waste crime and plastic pollution. However, implementation has been characterized by significant delays. The promised consultation on food waste targets never materialized, mandatory food waste reporting remains absent, and EPR for packaging only launched in 2024/25. The Deposit Return Scheme for drinks containers, initially planned for earlier implementation, is now scheduled for 2027, while simpler recycling requirements came into force in 2025 with the Separation of Waste (England) Regulations requiring workplace food waste separation. Furthermore, the Digital Waste Tracking which would help tackle waste crime and poor performing waste sites has been scheduled for implementation in Autumn 2026.

The overall regulatory foundation was strengthened through the Environment Act 2021, which provided some frameworks for resource efficiency in a form of a residual waste reduction target[21]. The latest OEP progress report[22] stated that progress has been "limited" and that prospects of meeting this target are "largely off track". The review also highlighted a number of measures recommended in the previous edition of the report that have not been actioned. This includes delivery of a coherent approach that connects resource use, product design, material flows and waste management and further development of the EA21 target to link resource efficiency and the associated environmental and carbon impacts of consumption.

Accelerating delivery and increasing the level of ambition of the circular economy agenda are now vital, given the developments internationally. The transition to a zero-waste economy represents one of the government's five key environmental priorities. However, the regulatory framework remains fragmented across devolved administrations. Scotland enacted the Circular Economy Act 2024[23] and published a route map to 2030, while Wales has achieved the second highest recycling rate in the world[24] and implemented progressive single-use plastics bans. Northern Ireland's circular economy strategy, on the other hand, remains in draft form since 2022/23 consultations[25].

This increasingly divergent approach has created coordination challenges, exemplified by the Internal Market Act's impact on Scotland's deposit return scheme, which was delayed to align with other UK nations after concerns about internal market disruption.

Since leaving the EU, the UK has experienced "divergence by default" from EU circular economy legislation[26]. The EU has advanced their regulatory frameworks through its Circular Economy Action Plan, with a major Circular Economy Act expected in 2026. Key areas of divergence include Ecodesign standards, where the EU's 2024 Ecodesign for Sustainable Products Regulation extends requirements to almost all products while UK legislation still applies only to energy-related products. Similar divergence exists across

[21] EA21 Target: By the end of 31 December 2042, the total mass of residual waste for the calendar year 2042 does not exceed 287kg per head of population in England (the residual waste long-term target)
[22] OEP (2025), Progress in improving the natural environment in England 2023/2024
[23] Scottish Government (2024), Scotland's circular economy and waste route map to 2030
[24] Welsh Government (2024), Da iawn Cymru! Wales named as second best recycling nation in the world
[25] NI Department for the Economy (2023), Circular Economy
[26] Aldersgate Group (2025), Review of the UK and EU Circular Economy Legislation Landscapes and Implications for Businesses - Aldersgate Group

textiles (EU introducing EPR requirements), batteries (EU's 2023 revised regulation versus UK's strategy-based approach), critical raw materials, and construction products. The EU has also introduced stricter packaging requirements and mandatory deposit return schemes by 2029.

Current UK regulations often work against circular principles, with public procurement and fiscal frameworks frequently prioritizing speed, cost and ease and competing legislative complexities. One such example is the end of waste regulations which may hinder the use of secondary materials making the use of virgin items an easier and quicker default. Another example is the standard rate of VAT on refit or refurbishment when new build attracts no VAT. Policy misalignment across UK administrations and government departments has limited effectiveness, while extended implementation timelines have created business uncertainty and reduced the UK's ability to capture early-mover advantages in circular technologies.

For businesses operating across UK-EU markets, regulatory misalignment introduces compliance costs and competitive disadvantages. UK exporters must meet EU standards without equivalent domestic policy support, while domestic businesses may face competition from products manufactured to lower standards.

Since the new UK government came into power in 2024, two key strategies have been set out that are likely to have a significant links with circular economy implementation going forward. The Government recently published "The UK's Modern Industrial Strategy"[27]. This 10-year plan to boost business investment and grow eight priority sectors gives enterprises long-term certainty, sector plans, and support for skills, technology adoption and clean energy. It links to circular economy goals by prioritising clean energy, resource efficiency, reuse/repair/recycling technologies, and stronger local supply chains and skills.

Similarly, the UK's latest infrastructure plan[28] sets out a decade-long approach to planning, funding and delivering economic, housing and social infrastructure. It commits at least £725 billion of infrastructure funding over the next ten years, introduces multi-year budgets and creates a new delivery body (NISTA) and appraisal reforms to give investors and places long-term certainty. Although the document references circularity as a way to mitigate climate change and mentions the recent waste and packaging reforms, it fails to clearly articulate the impacts, both positive and negative, that infrastructure investment and innovation can have on resource use.

Both strategies have referenced the government's commitment to circular economy and the upcoming strategy for England. At the end of 2024 the Department for Environment, Food and Rural Affairs (Defra) set up an industry representative group, the Circular Economy Taskforce, to facilitate the development and sectoral engagement. The sectors identified as a priority include: agrifood, the build environment, textiles, chemicals and plastics, electrical equipment and electronics and transport. The strategy along with sector specific roadmaps is due to be published in 2025.

While the UK has established some foundational frameworks for circular economy transition, significant gaps remain in implementation, enforcement and ambition. Addressing these shortcomings requires not merely incremental adjustments to existing policies, but rather a fundamental reimagining of how the UK approaches resource management, product design, and economic value creation. In the following sections ISEP's policy recommendations build upon existing landscape while addressing critical gaps in economic and financial instruments, strategy and regulation, investment and innovation, skills and jobs and infrastructure necessary to position the UK as a global leader in circular economy.

[27] UK GOV (2025), The UK's Modern Industrial Strategy 2025
[28] HM Treasury (2025), UK Infrastructure: A 10 Year Strategy

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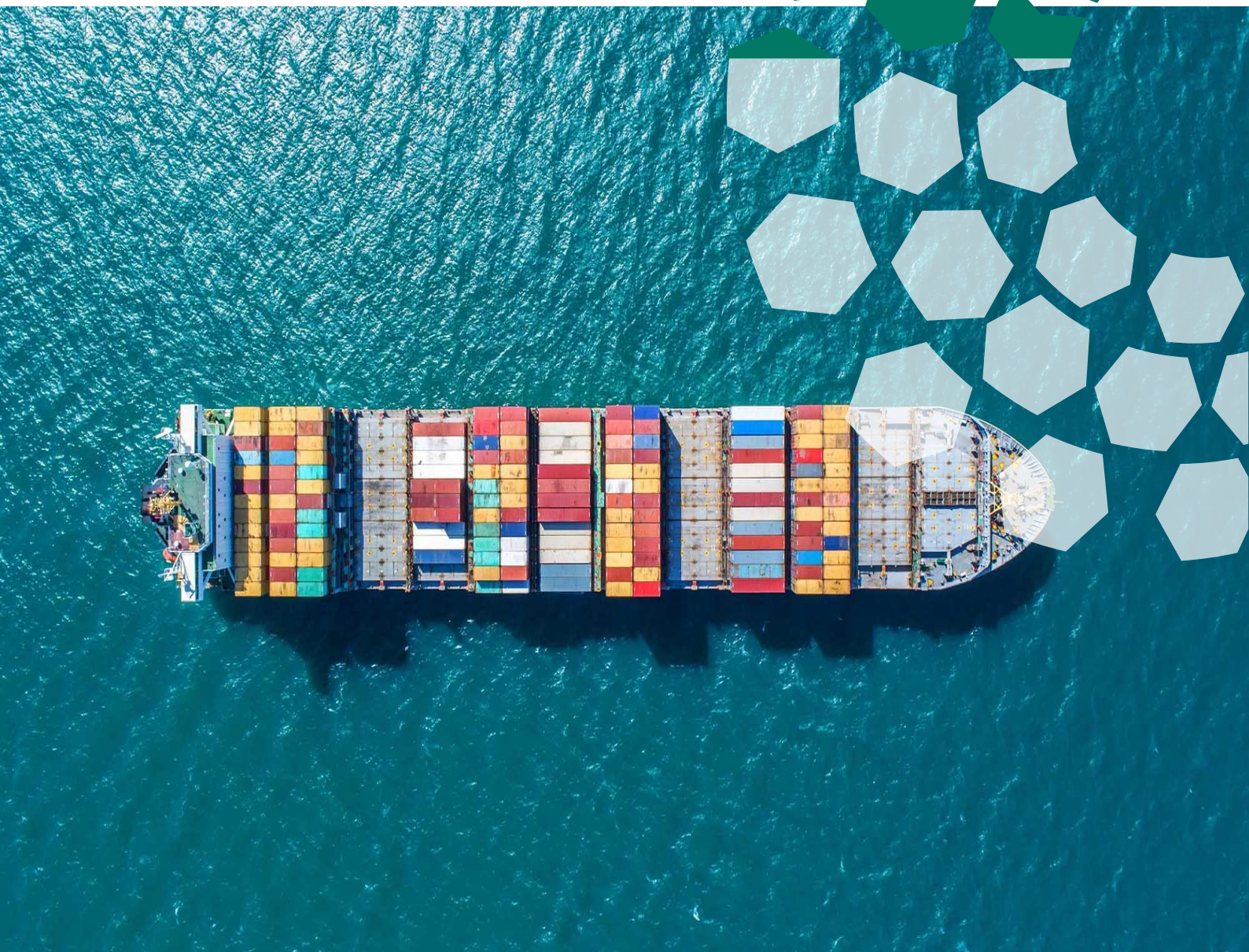
2. POLICY RECOMMENDATIONS

Policy and strategy frameworks for decoupling economic prosperity from environmental degradation through implementation of circular economy principles.



1. Aims of the policy recommendations

The following sections of this document set out ISEP's policy recommendations and have been designed by **The Circular Economy Steering Group** and consulted with the wider ISEP membership.

The proposed measures aim to embed circular economy principles systematically across key economic sectors, from manufacturing and construction to priority sectors identified in UK's Modern Industrial Strategy such as clean energy, advanced manufacturing, life sciences and digital technologies. Underpinning these is a transformation of public procurement to harness government buying power as a catalyst for circular markets and engaging people to change and improve their relationship with goods and materials.

These recommendations are structured around **five interconnected pillars**:

- **economic and financial incentives** that align taxation and trade with circular principles,
- **strategic regulation** including sectoral roadmaps and binding resource productivity targets,
- targeted **investment in research, development and innovation** to support circular business models from start-up through to scale,
- development of **skills and jobs** to create opportunities across generations, communities, regions and job functions, and
- **enabling infrastructure** to support material recovery, reuse and reverse logistics.

Crucially, these proposals are designed not only to address environmental challenges but to unlock significant economic opportunities for the UK. Evidence demonstrates that well-designed circular economy policy can maintain economic growth while increasing employment opportunities and substantially reducing material consumption. For example, evidence suggests that it can increase employment by up to 3% and halving material use growth projections.[29] By keeping materials circulating within the economy, reducing dependence on imported raw materials, securing resilient supply chains for critical materials, and fostering innovation in product design and service delivery, circular economy policies can provide resilience and security in turbulent times.

The recommendations that follow provide a roadmap for policymakers to harness the circular economy as both a tool for environmental stewardship and for sustainable, resilient economic development.

[29] OECD (2022), The OECD RE-CIRCLE project: The economics of the transition to a more resource-efficient, circular economy

2. Economic and financial reform

Align trade, fiscal, and investment policies with circular economy principles to drive resilient, low-carbon economic growth in high-value sectors

To deliver green growth and economic resilience, the UK must decouple material consumption from value creation. This requires a shift in incentives favouring material efficiency, recovery, and circular design over extraction and waste. Reforming fiscal structures, strategically investing in circular infrastructure for critical materials, and embedding circularity into trade policy will support innovation and competitiveness in high potential sectors like clean energy, advanced manufacturing, life sciences and digital technologies. By securing stable and reliable sources based on homegrown recovery for materials needed to support these priority sectors the UK can reduce its reliance on volatile global markets.

Review carbon and material taxation frameworks to align with circularity principles

Shift taxation from labour to resource use by reviewing taxes on virgin and carbon-intensive materials and reduce VAT on circular services such as repair, reuse, and remanufacturing. One example of the mismatch of the tax system with circularity is the fact VAT is not charged on new build residential construction while refurbishments, including to improve energy efficiency of the home carry the standard rate of 20%. Studies show such tax shifts can significantly increase circular business viability but need to be carefully combined with overarching policy frameworks.[30,31]The UK has some good examples of how progressive taxation frameworks can shift up the waste up the waste hierarchy, the most obvious being the landfill tax. Although it's now widely considered that this framework needs updating, the tax has resulted in significant net positive impacts on the environment and jobs[32].

Embed circularity standards into trade and public procurement policy

Incorporate standards for product durability, recyclability, repairability, and secondary material content into public procurement and trade agreements. The EU's Green Deal[33] and Circular Economy Action Plan[34] provide models for aligning market access with circularity. The ICC has identified that by harmonising standards and including circular related materials and services countries can gain a competitive advantage[9]. The recent UK trade policy is beginning to recognise the value of the markets and has recently included provisions which support trade in remanufactured goods or goods destined for alteration and repair in the UK-New Zealand trade deal[35]. This gives the Government a blueprint for incorporating circularity in future partnerships.

Use behavioural levers to support circular consumption

Introduce non-fiscal measures such as repairability labelling, public awareness campaigns to help build trust, and 'right to repair' policies. The European Environmental Agency highlights that combining fiscal and behavioural tools is most effective in changing consumer habits towards circular choices. This needs

[30] EEA (2022), Enabling consumer choices for a circular economy
[31] Milios, L. (2021), Towards a Circular Economy Taxation Framework: Expectations and Challenges of Implementation
[32] Aldersgate Group and Buro Happold (2017), Help or hindrance? Environmental regulations and competitiveness
[33] EC (2024), The European Green Deal
[34] EC (2025), Circular Economy
[35] UK GOV (2025), Trade Policy Review

to be underpinned by clear, relatable and transparent information on products to ensure that the public can have trust in the quality and sustainability claims associated with the circular products. In a 2025 study, 56.3% of consumers cited quality as the main concern for buying circular products[36]. OECD also highlights that regulation on greenwashing and green claims can have a significant impact on empowering customers to make changes to their purchasing choices.[37]

[36] BSI and CISL (2025). The Tipping Point: Building trust in the circular economy. .
[37] OECD (2025), Protecting and empowering consumers in the green transition

3. Strategy and regulation

Adopt a circular economy framework with sectoral roadmaps, binding resource productivity targets, and robust product standards. Alignment with EU measures on Ecodesign, producer responsibility and digital product passports, will drive innovation, cut waste, and secure long-term economic and environmental resilience for the UK.

To systematically embed circular economy principles across industries, the UK should adopt a coherent regulatory framework comprising sectoral roadmaps, as proposed by the Circular Economy Taskforce, measurable productivity targets, and strengthened product standards. Global and European experience shows that coherent regulatory frameworks that combine sector specific roadmaps and productivity targets with product standards, can systematically shift economies toward circularity[38] [39]. The EU's circularity rate reached 11.8 % in 2023, with metals at 25 % and plastics still lagging at 3 %[40]. Countries outside of the EU are also making strides and are setting ambitious targets with clear strategy and policy roadmaps. For example, Japan was one of the first countries to set up roadmap when they launched a national Circular Economy Vision in 1999. They have set up a series of specific targets alongside the roadmap including resource productivity targets, waste reduction targets and material and sector specific measures[41].

Policy and regulatory strategies should be tightly woven into existing industrial policy, public procurement, and infrastructure planning, ensuring both accountability and impact. International evidence shows that integrating these elements accelerates resource efficiency, drives innovation, and reduces waste. As circular economy, waste and some environmental regulations are a devolved policy area, it is crucial that any policy is harmonised across the UK nations though proactive cooperation and communication. This will ensure that businesses and the public are clear on their obligations.

Sector roadmaps integrated with industrial strategy, regulation & procurement policy

The sector-specific circular economy roadmaps currently under development should clearly cross reference with key materials like metals, plastics, critical raw materials or electronics and align with UK Modern Industrial Strategy sectors, goals and regions. The roadmaps should consider the inter-sectoral industrial symbiosis projects and regional hub previously delivered through UKRI such as TransFIRe2 that looked at foundational industries vital for the UK Industrial Strategy priority sectors and UK National Industrial Symbiosis Programme (NISP3) that established regional hubs. Aligning these should guide public procurement and infrastructure investments with these roadmaps would stimulate the economy domestically and send a clear signal to the markets that the roadmaps have a clear implementation route.

Furthermore, to ensure that policy and regulation align and deliver the ultimate goals of improving environmental and social sustainability and strengthen the economy, it is important to effectively resource, educate and engage the agencies involved. The Regulator's Code[42] and the recent SEPA reuse guidance[43] are good examples of a pragmatic and transparent approach that clearly set out expectations,

[38] OECD (2020), Improving resource efficiency and the circularity of economies for a greener world
[39] OECD (2024), Monitoring Progress towards a Resource-Efficient and Circular Economy
[40] EEA (2025), Circular material use rate in Europe
[41] UNIDO (2024), National circular economy roadmaps
[42] EA (2021), How the Environment Agency meets the Regulators' Code - Guidance
[43] SEPA (2024), Reuse activities and waste regulation

the role of the regulators and set out how businesses can comply with regulations. This will be increasingly important as policy changes are made to ensure a supportive, fair, timely and proportionate regulatory regime that engages with business and consumers.

Resource productivity targets

Resource productivity targets will play a crucial role in driving the implementation of circular economy initiatives through creating clear market and regulatory signals that help businesses and public institutions have a clear direction of travel. The targets should therefore be specific for each sector and align with the sector roadmaps which are part of the strategy. Most importantly they should be grounded in the implementation of the policy priorities. The targets should be SMART and help focus infrastructure development and innovation on the right track. UK has not yet set any specific targets in line with the Environment Act 2021 that aim to "maximise the value and benefits we get from our resources, doubling resource productivity by 2050"[44]. This target needs to accurately measure how we use our resources and consider differences in sectors.

Producer responsibility, ecodesign, right-to-repair & product standards

There are several supportive measures to ensure products are designed for long life, repairability and appropriate management at the end of life which would create a more circular approach across the economy and level the playing field for businesses across the sectors and the wider UK and international markets. By aligning with emerging EU rules on ecodesign, product passports and producer responsibility will give UK businesses consistency, unlock secondary markets, and build public and business confidence in reuse and remanufacture.

The EU's Ecodesign for Sustainable Products Regulation (ESPR)[45] is setting a new benchmark in the EU by making durability, repairability and recyclability the default for consumer goods, while introducing bans on the destruction of unsold stock, starting with textiles[46]. Central to the ESPR is the Digital Product Passports (DPP)[47], which provide verified product-level data on composition, repairability, substances of concern and end-of-life options, giving confidence to consumers, recyclers and insurers alike. Alongside this, Extended Producer Responsibility (EPR) schemes on textiles, furniture and WEEE[48] would shift the costs of waste management back to producers, enable recovery of valuable critical materials and can reward better product design through fee modulation. Together, these mechanisms establish a consistent regulatory architecture that supports secondary markets, remanufacturing and recycling. For the UK, aligning with these approaches would prevent divergence from EU markets, reduce compliance costs for businesses trading internationally, and create the certainty needed for investment in reuse and remanufacture infrastructure.

Remanufactured products often face barriers in insurance, warranties and procurement because buyers and underwriters lack confidence that they perform to the same standard as new. Clear certification frameworks, such as the BS 8887 remanufacturing standard, Product Circularity Datasheets produced in line with ISO59040 and accredited schemes like the BSI Kitemark, provide verifiable assurance that

[44] DEFRA (2023), At a glance: summary of targets in our 25 year environment plan
[45] EC (2025), Ecodesign for Sustainable Products Regulation
[46] EEA (2024), The destruction of returned and unsold textiles in Europe's circular economy
[47] Publications Office of the European Union (2024), EU's Digital Product Passport: Advancing transparency and sustainability
[48] DEFRA (2025), Extended producer responsibility for packaging - Guidance

processes are robust and outcomes reliable[49]. Embedding these into policy and linking them with DPP would give insurers, businesses and consumers the confidence to treat certified remanufactured goods as genuine "as-new" equivalents.

[49] BSI (2010), BS 8887-220:2010 Design for manufacture, assembly, disassembly and end-of-life processing (MADE) - The process of remanufacture. Specification

4. Investment in Research, Development and Innovation

Invest in research and innovation to solve sector and place-based circularity challenges by enabling circular innovators to start up, commercialise, scale and secure their place in the UK and the global markets.

Transitioning from a linear economy to a circular one requires citizens to un-learn established behaviour patterns and for organisations to rethink their current practices and business models. Presently, the throwaway approach is often the most cost-effective one, but Government can deploy financial and non-financial innovation levers to accelerate the transition to a circular economy. By supporting the industry from start-up through commercialisation and scale-up, businesses would be in the good place to secure external investment. Research by OC&C and WRAP found that impact funds attract significant capital and circular businesses benefit well. This includes 184 financial investments in circular economy in 2023 (+42% from 2022) with investment volume growth of +34% pa between 2018 and 2022.[50]

Design policy and regulation to encourage innovation within circular economy business models for key materials and strategically significant sectors

This includes end of waste regulations that may prevent waste items being used in new products so that they enjoy the same market freedoms as primary materials[51] in established organisations (including policies such as EcoDesign, construction product passports, and waste regulations).

Integrate circular economy practice into public procurement processes

This can be achieved by introducing a Policy Procurement Note that requires suppliers bidding for large contracts to submit a Resource Productivity/Security/Circular Economy Plan aligned with the CE sector roadmaps and the associated resource productivity targets. This should require the supplier to state how circular economy principles have influenced the design of the goods and/or works, and to provide an end-of-life strategy for the goods and/or works provided. Commissioning authorities should include the evaluation of the progress against the plans as part of standard contract management arrangements and the outcomes should be monitored and reported centrally to enable sharing of best practice, as well as evaluation of effectiveness and progress against resource productivity targets. This could be particularly powerful in construction (as already demonstrated in London[52]), defence and healthcare sectors. Additionally reviewing government and institutional buying standards would enable the market to adjust to new requirements with the innovative circular products and services trickling down to businesses and consumers. The growth of the electric vehicle market is good example of public procurement and support contributing to the widespread acceptance of an innovative solution[53].

Place-based and sector-based specific investment

The Government should utilise the existing 38 regional Growth Hubs across England to establish localised circular economy networks. In Scotland, the Scottish Growth Scheme and/or Scottish Enterprise funds

[50] OC&C WRAP (2025), Are UK Businesses Leaving Money on the Table? Creating Value through Circularity
[51] The Joint Research Centre: EU Science Hub (n.d.), End-of-waste
[52] GLA (2022). London Plan Guidance, Circular Economy Statements
[53] PwC (2025), Electric Vehicle Adoption across the UK bouncing back, shows PwC's eReadiness survey 2025

could be used to establish regional circular economy partnerships, whilst in Wales the Development Bank of Wales and in Northern Ireland the Invest Northern Ireland fund could be leveraged. These are already established networks that provide business with valuable advice and support, and have already been working with the local business communities on net zero and sustainability.

Additionally, the government should focus R&D funding to explore material recovery options for complex and strategically significant materials (e.g. composite materials used in wind turbines, aerospace etc. and decarbonisation enabling technologies that contain rare earth elements such as solar panels and batteries). These steps can reduce the risks posed by uncertain and unstable supply chains and enable these sectors to operate effectively and grow[54].

[54] Innovate UK (2023), Materials and Manufacturing Vision 2050

5. Skills and jobs

Establish a national Circular Skills Plan, backed by updated training, apprenticeships and local delivery, to create 200,000 green jobs and ensure a just transition for workers and communities.

The circular economy has the potential to create over 200,000 jobs in Britain alone by 2030, offering a significant opportunity to reduce unemployment.[55] However, there is limited understanding of the challenges involved in realising this potential, particularly the skills and support required to transition workers from linear to circular roles. To address this, it is essential to recognise circular jobs beyond traditionally associated sectors such as textiles, food, and construction. The skills required to transition to a circular economy that supports the delivery of Net Zero ambitions have currently not been explicitly recognised in existing plans such as the Clean Energy Jobs Plan[56] or the Post-16 Education and Skills paper[57].

However, it is also important that the Government recognises that circular economy jobs and skills are separate to the clean energy skills required as these are required across the industry sectors including manufacturing, life sciences and medicine, design, logistics and the broader waste management sector as well as regions. A broader understanding and development of a UK Circular Skills Plan will help shape the right policy mix and enable effective workforce planning. By using the data on what the future workforce needs the Government should simplify access to skills and jobs ensuring equitable access for young people as well people changing careers regardless of where they live. The Government should work with local employers and sectors bodies to co-create and mobilise the opportunities where they are needed.

Assess the circular challenge across industries and skills levels

Following the example of Northern Ireland[58] and Scotland[59] , the UK Government should conduct a comprehensive assessment to identify the full range of circular jobs across sectors and skills needed, from low to high-skilled, and provide clarity and direction on how to build this capacity. This could mirror the format and structure of the assessment already delivered for the Office for Clean Energy Jobs[60]. By bringing the assessments and the implementation of the strategies under one roof, for example through Skills England, synergies and trade-offs could be identified in a comprehensive way.

A UK Circular Skills Plan should set a clear roadmap for building the workforce needed across repair, remanufacture, reuse and reverse logistics—aligning training and industrial strategy to unlock 200,000 new jobs by 2030.

[55] WRAP and Green Alliance (2015), Employment and the circular economy
[56] UK Gov (2025), Clean Energy Jobs Plan: Creating a new generation of good jobs to deliver energy security
[57] UK Gov (2025), Post-16 Education and Skills
[58] Circle Economy (2022), The Circularity Gap Report Northern Ireland
[59] Circle Economy (2022), The Circularity Gap Report Scotland
[60] DESNZ (2025), Assessment of the clean energy skills challenge

Invest in skilling and re-skilling the workforce across generations

A mix of measures is needed to deliver business capacity, including fiscal incentives and subsidies for employee training/hiring, tax breaks on labour,[61] targeted bursaries, apprenticeships[62] and career change training and upskilling as opposed to university and higher education. Updated apprenticeships, standards and bootcamps could help develop trades in repair, remanufacture, refurbishment, textiles and reverse logistics. Fiscal incentives and targeted bursaries would encourage retraining and career changes. Micro-credentials linked to recognised process standards (e.g. BS 8887 for remanufacture) would then professionalise circular roles and reassure employers. The Government should also consider running campaigns to promote circular careers among young generations[63] and make lower skilled, manual roles more attractive.[64]

Ensure a just circular economy transition for workers and communities

The most recent assessment of UK clean energy skills[65] fails to capture the core skills needed for circular aspects of energy infrastructure, such as decommissioning and reuse of wind turbines, heat pumps and solar panels. These tasks will require highly skilled workers like industrial designers, material scientists or product developers[66]. Alongside these, enabling roles such as asset brokers and data analysts will be essential for managing reverse supply and databases. There will also be growing demand for lower- skilled roles in local processing, recycling and reuse, areas currently underdeveloped in the UK due to limited domestic skills and infrastructure and historic reliance on overseas facilities and labour.[67]

Adopt a place-based approach to respond to local challenges

Collaborate with regional and local authorities to support local capacity building[68] and social economy organisations, which are vital for vulnerable workers and community cohesion[69]. This is important when developing targeted circular skills and infrastructure tailored to local needs. For example, Southampton has introduced a training programme for staff and local businesses focused on circular economy and waste reduction capacity.[70]

De-risk employment through insurance and procurement

As noted previously, remanufactured goods often face barriers in insurance and procurement due to uncertainty about quality and liability. Public procurement can reinforce the use of certification

[61] Circle Economy (2022), The Circularity Gap Report Scotland
[62] Deloitte (2022), A blueprint for green workforce transformation
[63] Public First (2023), Generation Green Jobs
[64] For example, German waste management companies struggle to attract local young people and as a result rely heavily on migrant workers to fill this gap. EPSU (2023), Waste Management in Europe
[65] DESNZ (2025), Assessment of the clean energy skills challenge
[66] ZWS & Circle Economy (2023), The Future of Work: Baseline Employment Analysis and Skills Pathways for the Circular Economy in Scotland
[67] Circle Economy (2022), The Circularity Gap Report Scotland
[68] Deloitte (2022), A blueprint for green workforce transformation
[69] Circle Economy (2020), The Social Economy: A means for inclusive & decent work in the circular economy?
[70] Southampton City Council (2020), Green City Plan 2030

frameworks such as BS 8887 and the BSI Kitemark and DPP, by rewarding bidders that invest in apprenticeships and certified circular practices, creating stable demand for circular skills.

Assess the international impact of UK circular policies and collaborate with global partners to reduce employment disruptions in low- and middle-income countries

Finally, UK policy must account for global impacts. A social impact assessment of UK circular economy policies, similar to the approach taken by the Netherlands[71] would identify risks and opportunities for vulnerable workers in key circular sectors within and outside the UK and support a more equitable global transition.

[71] PBL Netherlands Environmental Assessment Agency (2022), Addressing international impacts of the Dutch circular economy transition

6. Enabling Infrastructure

Create the right conditions and attract investment for robust and future proofed circular economy infrastructure.

Just as the UK Government has devised infrastructure plans to support the transition to net zero carbon emissions[72], the Circular Economy Strategy should clearly set out what strategic infrastructure is required to facilitate the transition to a circular economy. In many aspects, a circular economy infrastructure would support the UK's net zero carbon emission target and the UK's national biodiversity action plan as well as the needs of the local populations to deliver improvements in jobs and wellbeing. Effective infrastructure is fundamental to maintaining resource security and resilience in the UK.

Continue to develop and deploy policy levers that stimulate investment in material recovery and recycling

This includes consumer products such as WEEE, textiles, furniture and their packing as well as infrastructure for recovering business and industrial waste. By investing in innovation in domestic recovery of materials the UK can not only become more self-reliant but also export these technologies and solutions to global markets. In particular, the recovery of rare earth elements including lithium, copper, aluminium and other critical raw minerals[73] essential for clean technologies and high potential industrial sectors will complement the UK Industrial Strategy and the UK's Critical Minerals Strategy due to be updated in 2025. As highlighted by the Department for Business and Trade (DBT) commissioned report[74], the support for planning, permitting and innovative recycling infrastructure financing will be key to securing a resilient supply chain and have significant potential for return on investment and job creation.

Invest and scale anaerobic digestion plants to harness the potential of unavoidable organic waste

Now that all countries in Great Britian have mandated food waste collections through the implementation of Simpler Recycling regulations, there is increased potential to invest in anaerobic digestion facilities to manage unavoidable biodegradable waste and generate low carbon electricity, heat and non-fossil fuel-based fertilisers. Anaerobic digestion plants can also accept farm waste and sewerage sludge multiplying the environmental benefits. The industry estimates that full deployment of the technology could create 30,000 direct and 30,000 indirect jobs[75] often in rural regions and locations with lower availability of well-paid and good quality jobs.

Support sustainable transport and logistics systems

A thriving circular economy requires resources to be shared and circulated. However, the cost and complexity of transporting materials is often a barrier to material reuse. Supporting the transition to sustainable, efficient and cost-effective transport systems will accelerate circular economy adoption. A holistic sustainable transport strategy should consider how the circular economy will impact movements

[72] HM Treasury (2025), UK Infrastructure: A 10 Year Strategy
[73] Critical Minerals Institute (2025), CMI List
[74] Frazer Nash (2025), UK Critical Minerals Recycling and Midstream Processing Capability Assessment
[75] ADBA (2025), ADBA welcomes Government's recognition of biomethane flexibility in Clean Flexibility Roadmap

of people and goods. The current Transport Decarbonisation Plan[76] considers how goods vehicles and people will move, however it does not specifically consider how the changes in consumption and production patterns will change the needs for transport, logistics and storage. For example, as businesses switch to more circular business models like "product as service", there will be a need for more workers in repair, refurbishment and maintenance sectors to travel to sites and homes. This underscores the need for sustainable transport options for people as well as materials. Logistics and haulage providers should be encouraged and supported to optimise their routes, minimise "empty miles" through reverse logistics and shared local material hubs such as these already present in some UK urban areas[77] [78][79].

Provide clear standards and mandates for data and digital infrastructure

Consistent data standards and robust digital infrastructure are essential to enable the seamless tracking, sharing, and reuse of materials across sectors. Implementing interoperable DPPs compatible with the EU's ESPR, digital material and waste tracking and materials databases could unlock efficiency gains, prevent barriers to exports as well as enable the Government to implement robust resource productivity targets. According to the OECD[80], coherent digital systems enhance supply chain resilience and workforce productivity, while supporting emerging green jobs. National standards and shared data infrastructure will accelerate circular innovation, de-risk investment, and enable smarter public procurement.

[76] Department for Transport (2021), Decarbonising Transport – A Better, Greener Britain
[77] British Land (n.d), London Urban Logistics
[78] Cross River Partnership (n.d), Urban Logistics Hubs in London
[79] Dandara Living (n.d), Low-Carbon Logistics Hub Launched
[80] OECD (2023), OECD Skills Outlook 2023: Skills for a Resilient Green and Digital Transition

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ISEP Circular Economy

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