Basque Ecodesign Center

Strategic Environmental Monitoring Report on the Circular Economy

THE 10 KEYS FOR 2026

GRUPO spri TALDEA
ihobe ingurumen hobekuntza mejora ambiental
EUSKO JAURLARITZA GOBIERNO VASCO

January 2026

Edition:
Basque Ecodesign Center

Department of Industry,
Energy Transition and Sustainability

Alameda Urquijo Streer 36, 6th. plant
48011 Bilbao
Tel.: 944 23 07 43

www.basqueecodesigncenter.net

This document has been prepared with the collaboration of the companies: Baisma, Global Factor, Grunver Sustainability, IK Engineering and Metroeconomica

Content

01. Presentation

The Basque Ecodesign Center is a stable initiative set up in 2011 in a framework of collaboration between 19 private sector companies and the Basque Government. Its aim is to stimulate the value chain and generate knowledge on the circular economy so that it can subsequently be passed on to the Basque business community.

The following value chains are represented at the Basque Ecodesign Center:

- Automotive industry
- Construction
- Energy generation and distribution
- Consumer goods
- Financial sector
- Metal
- Other means of transport
- Production of lifting equipment
- Production of energy generation and transmission equipment

This document is the fourth edition of the strategic environmental monitoring reports that the Basque Ecodesign Center produces based on the knowledge acquired through its monitoring system. Its aim is to compile the **latest regulatory and market developments driving the transition towards a decarbonised, more circular economy. It also identifies new standards and recognised methodologies** that are relevant to the value chains in which the Basque Ecodesign Center's partner companies operate. With this in mind, the report is structured around six main themes:

- Transparency and positioning
- Ecodesign for a circular economy
- Raw materials and waste management
- Decarbonisation with a life cycle approach
- Zero Pollution
- Sustainable finance

At the end of each chapter, the report provides **a timeline summarising the main regulatory and market milestones expected in the period 2026-2030** and a table summarising the implications of each of the transition levers **on the nine value chains** represented at the Basque Ecodesign Center, depending on the size of the company.

02. Context

Progress on environmental protection proves insufficient

The *"Planetary Health Check 2025"*, compiled by the Potsdam Institute for Climate Impact Research (PIK), provides an alarming prognosis: it states that **7 of the 9 critical planetary boundaries** have already been exceeded, one more than last year with ocean acidification having been exceeded for the first time. The ocean acidification boundary has been exceeded, primarily due to the burning of fossil fuels, and exacerbated by deforestation and changes of land use. This phenomenon is impairing the oceans' ability to act as a stabiliser for the planet, pushing humanity even further beyond the safe zone for the planet. This is in addition to other boundaries that have already been exceeded and are showing worsening trends (climate change, biosphere integrity, land use change, freshwater use, biogeochemical flows, new chemicals).

The latest *Production Gap Report* (SEI, Climate Analytics & IISD, 2025) analyses the gap between projected fossil fuel production and the levels compatible with the targets in the Paris Agreement. The report shows that **energy production in many countries is not in line with international climate neutrality targets**, as projected production in 2030 is double the levels compatible with the 1.5 °C target.

As far as the transition to a circular economy is concerned, the *The Circularity Gap Report 2025* report prepared by the Circle Economy organisation in collaboration with Deloitte, also highlights a worrying fact: **the global circularity rate has dropped.** This report, which has been prepared every year since 2018, analyses the global state of the circular economy. To do this, it uses its own indicator (Circularity Metric), which quantifies what percentage of total material consumption worldwide comes from secondary sources, i.e., recycled or reused. The latest report shows that, in 2024, only 6.9% of the materials used in the global economy were circular, down from 7.2% the previous year. This shows that, despite our efforts, we have still not managed to achieve the decoupling required between economic growth and material use.

If we focus on the **European Union, the environmental situation is also worrying**, according to the *report on the state of the environment in Europe*, published in September 2025 by the European Environment Agency (EEA). Despite considerable progress in reducing greenhouse gas emissions and air pollution, the overall state of the environment in Europe is not good, especially in terms of nature, which continues to suffer from degradation, overexploitation and loss of biodiversity. The outlook for most environmental trends does not look good and poses significant risks to Europe's economic prosperity, security and quality of life. In fact, the report notes that **climate change and environmental degradation pose a direct threat to Europe's competitiveness**, which is dependent on natural resources.

The European response: from the Green Deal to the Clean Industry Deal

The latest scientific evidence and analysis on sustainability shows that, despite progress, there is still some way to go to tackle the major environmental problems we are facing. The EEA's State of Europe's Environment Report calls for intensified implementation of policies and measures to foster the long-term sustainability already agreed as part of the *European Green Deal*. These actions are aimed at meeting the main environmental targets set for Europe: **achieving climate neutrality for the EU as a whole by 2050 and decoupling economic growth from the use of natural resources.**

Many of the regulations stemming from the European Green Deal that were approved at the end of the previous term are still relevant for the 2024-2029 term, either because they are still in force or because work is still underway to implement them. These regulations cover several of the priority areas of action, such as environmental transparency at a corporate and product level, the integration of ecodesign criteria across a wide range of products, the recovery and recirculation of raw materials, energy efficiency and the reduction of greenhouse gas emissions, the reduction of air, soil and water pollution, and the promotion of finance as a driver of the green transition.

Despite the international political situation, the EU is still pursuing its sustainability agenda, although it has made significant adjustments in response to the geopolitical situation and the loss of leadership, autonomy and, ultimately, competitiveness.

In February 2025, the European Commission presented the European Competitiveness Compass, adopting the recommendations for the future competitiveness of the European Union made in the Draghi Report and the Letta Report, published in 2024. This document is the long-term strategy for strengthening Europe's position in the global economy. It put an emphasis on improving industrial competitiveness through technological innovation, gaining access to new sources of finance, and stimulating the circular economy, while still being committed to sustainability and reducing greenhouse gas emissions.

This is embodied in the *European Clean Industry Deal*, which was launched in February 2025, and enhanced the industrial component of the European Green Deal, aimed at **bringing together climate action, the circular economy and competitiveness as part of an overall growth strategy** focused on supporting energy-intensive industries and the clean technology sector, incorporating the "Made in Europe" concept.

The Clean Industry Deal is geared towards driving the transition to a more sustainable, competitive and resilient industry, while ensuring that green jobs are created and Europe's global competitiveness is strengthened. To this end, it proposes a number of measures aimed at ensuring affordable access to energy for the industries that need it, stimulating **demand for clean products and clean industrial technologies ("clean-tech") manufactured in Europe**, promoting the circular economy and access to critical raw materials, reducing dependence on external suppliers, and promoting the efficient use of resources, as well as encouraging public and private investment, **tax incentives**, and the mobilisation of capital towards clean industry.

The measures outlined in the deal include **future regulations to accelerate industrialisation**, with plans to make it easier to get permits for clean energy and energy infrastructure, encourage voluntary labelling of low-carbon products (starting with steel and maybe cement), get people to think about environmental criteria and prioritise European products when making purchases, and encourage the mobilisation of funding on a massive scale.

The deal also focuses on developing future **regulations on the circular economy to speed up the circular transition, based around the European single market.** This will facilitate the free movement of circular products, secondary materials and waste, increase the supply of high-quality recycled materials, and stimulate demand for secondary materials and circular products.

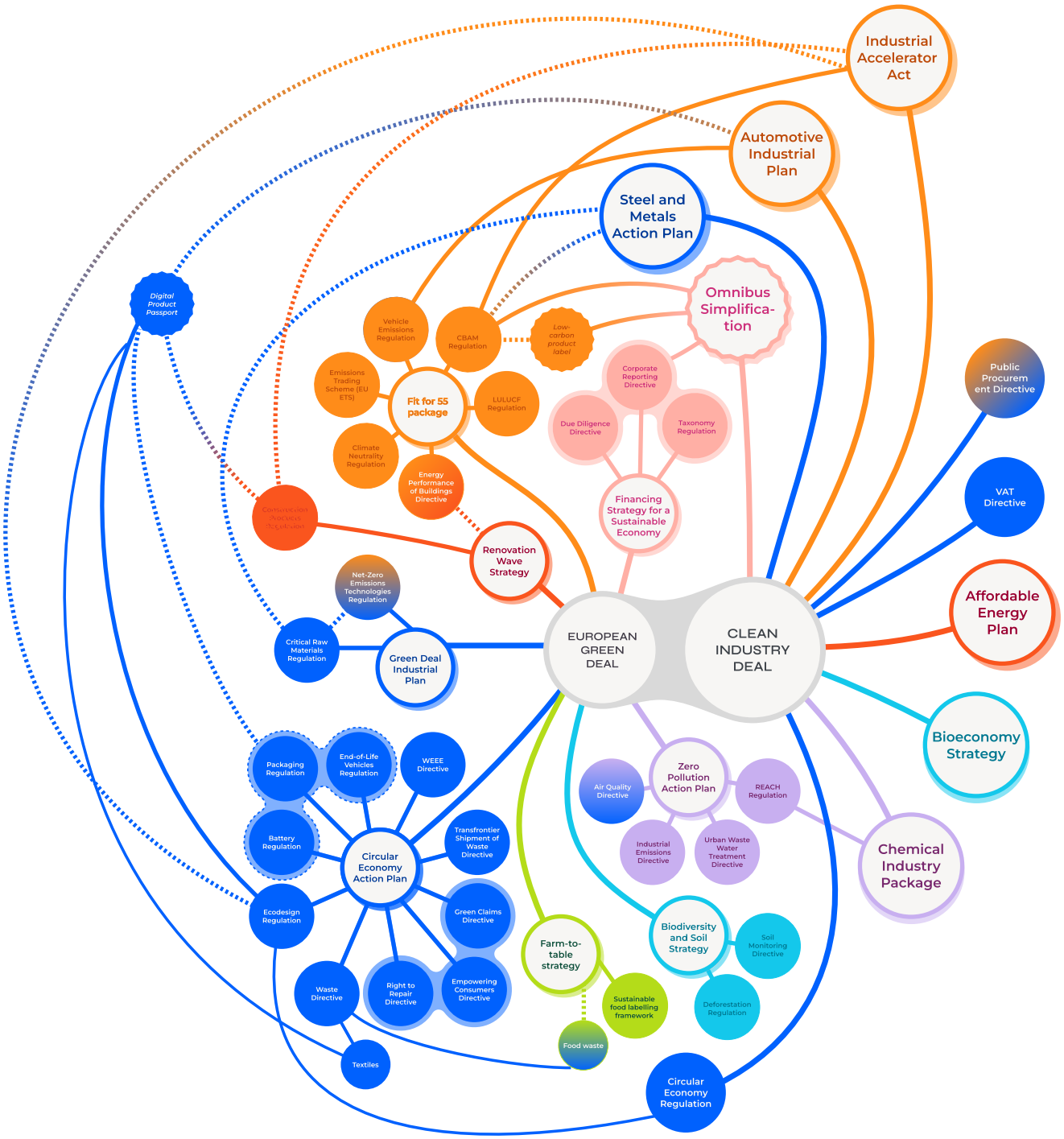


Figure 1. Diagram summarising the main strategies, action plans and legislative initiatives stemming from the European Green Deal and the Clean Industry Deal. Source: Compiled by the author

The European Commission's Work Programme 2026: increasing competitiveness, resilience and the single market

Against this backdrop, the *European Commission's Work Programme for 2026* sets out the main strategies, action plans and legislative initiatives that will lay the foundations for its work during its second year in office, including some of the measures still pending from the European Green Deal and the new measures contained in the Clean Industry Deal.

This plan, entitled "Europe's Independence Moment", is a roadmap of 47 legislative initiatives that will shape the European Union's economic, social and strategic priorities for 2026. The plan focuses on continuing to simplify regulations, increase competitiveness and strengthen security. It includes measures in the areas of innovation, energy, defence, employment and the environment, under a common vision: **to make the European Union more agile, sustainable and coherent.**

The broader thematic section of the programme is grouped under the heading "A new plan for Europe's sustainable prosperity and competitiveness". It includes measures to strengthen Europe's industrial base, capacity for innovation and green transition, with initiatives such as: **regulations on public procurement to ensure that public procurement** is capable of generating a real market for sustainable raw materials and products; **a regulation on advanced materials** focused on developing new strategic materials; the creation of the European Centre for Critical Raw Materials to ensure access to key industrial resources; **a regulation on the circular economy** to double the proportion of recycled materials in the EU economy; and a **regulation on products** to update the legislative framework for product standards to adapt it to the digital and green transition, which will be a cornerstone of the European single market.

The European Commission has proposed a package of measures in the field of energy and climate to develop **transport infrastructure and CO_2 markets, an energy efficiency framework** and a renewable energy framework, as well as an action plan for electrification. It has also set out plans to update the governance framework for the Energy Union and Climate Action, including the phasing out of fossil fuel subsidies.

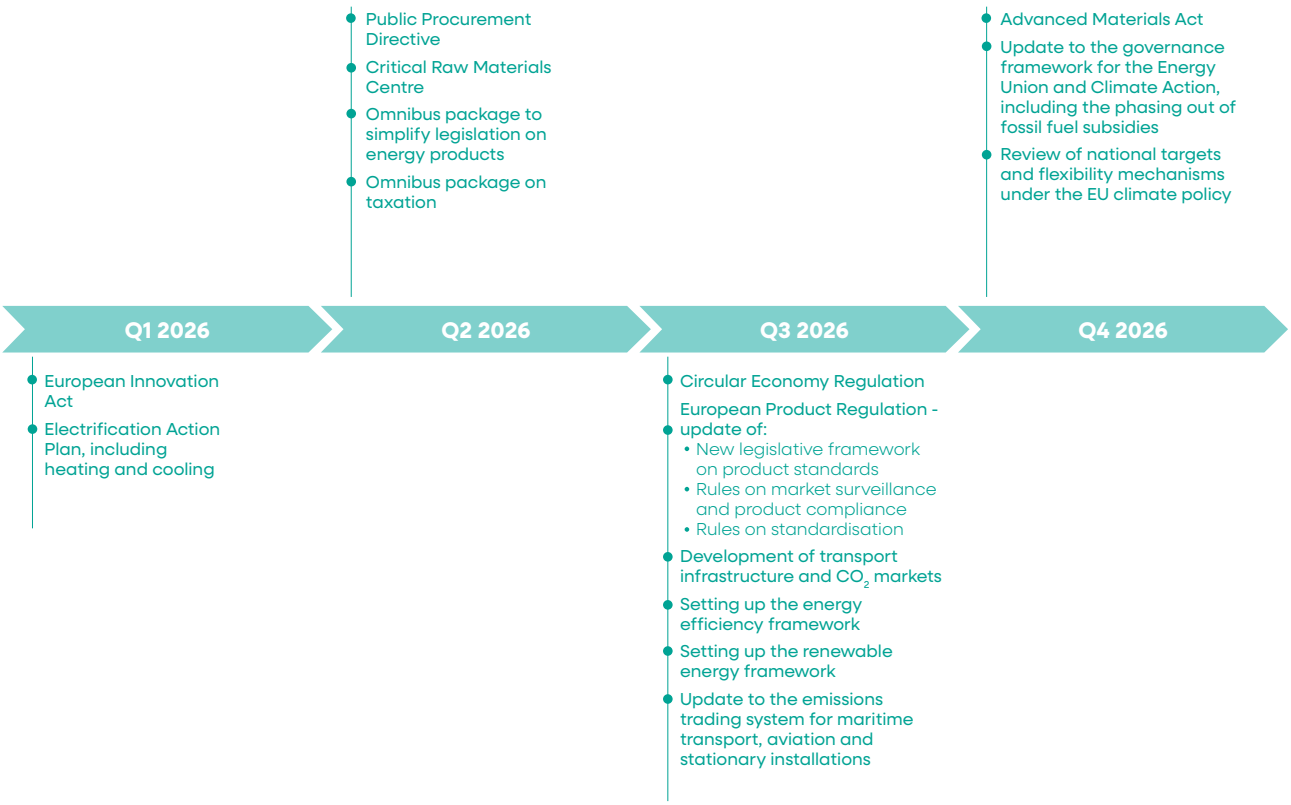


Figure 2. Key initiatives in the European Commission's Work Programme for 2026.

Europe advocates simplifying regulations to increase competitiveness

The European Commission is committed to **simplification as one of its new key areas of action for European policies in order to ensure the competitiveness** of the economy. The simplification agenda for Europe has gained momentum since Mario Draghi's report on competitiveness and Enrico Letta's report on the single market.

The EU Competitiveness Compass has taken up this challenge, pointing to the need to develop innovative forms of cooperation to ensure the political relevance of the Commission's legislative proposals. It states that simplifying the regulatory framework and **reducing the administrative burden** is a key way to achieve this goal without compromising strategic objectives. The Compass has set a goal of reducing the administrative burden by at least 25% for all companies and by at least 35% for SMEs. It also advocates **streamlining the granting of permits in a greater number of sectors that are transitioning to a clean, digital economy** in the EU.

In the same vein, the President of the European Commission called for simplification in her *State of the European Union* speech in September 2025. In her speech, she stressed that commitments to climate action and the green transition should be given the same weight as the European Union's competitiveness and technological sovereignty. The president highlighted the work being done on **simplifying regulations** to achieve this, **having presented several Omnibus packages throughout 2025.**

These packages, which are referred to as "omnibus proposals" due to their cross-cutting, specific nature and because they complement other simplification proposals, will reduce the burden on companies and public administrations, resulting in significant savings in recurring administrative costs. The Omnibus packages published in 2025 were:

Omnibus proposal	Date of adoption	Main simplification measures
I. Sustainability	26 February 2025	• Review of the time frames and scope of the Corporate Sustainability Reporting Directive **(CSRD)** and the Corporate Sustainability Due Diligence Directive **(CSDDD)**. • Adjustments to align the **Taxonomy Regulation** with the other instruments. • Proposal to simplify the Carbon Border Adjustment Mechanism **(CBAM)**.
II. Strategic Investments	26 February 2025	Facilitates the implementation and monitoring of programmes such as **InvestEU** and the European Fund for Strategic Investments **(EFSI)**. The plan is to mobilise up to €50 billion in additional public and private investments.
III. Common Agricultural Policy (CAP)	14 May 2025	Reduces the complexity and burdens of monitoring and reporting the CAP. Promotes the use of digital tools and simplifies the national management of payments and audits.
IV. Small and mid-cap companies, digitalisation and common specifications	21 May 2025	Extends some of the more flexible requirements applicable to SMEs to medium-sized enterprises. It proposes a potential new category of company: **small mid-cap companies**, which are those with fewer than 750 employees and a turnover of less than or equal to €150 million or a balance sheet total of less than or equal to €129 million.
V. Defence	17 June 2025	Simplifies the rules affecting the European defence industry in order to facilitate investment, technological development and coordinated production of military equipment.
VI. Chemicals	8 July 2025	Reduces compliance costs and the administrative burden in the chemical industry, while maintaining a high level of health and environmental protection. Affects regulations linked to **REACH** and the classification of chemical substances **(CLP)**.
VII. Digital	19 November 2025	Simplifies regulations on artificial intelligence, cybersecurity and data. Focuses on improving consistency between digital laws and facilitating their practical application, especially for SMEs, without compromising the goals of protecting users and the digital market.
VIII. Environmental sector	10 December 2025	Simplifies environmental legislation in the areas of **industrial emissions,** the **circular economy, environmental assessments** and geospatial data.

Despite the savings that are expected to be achieved with these omnibus packages, the reduction is still far from the European Commission's target of €37.5 billion, so new proposals are still being developed to meet this target.

In fact, the European Commission announced that it will continue to promote the simplification of EU legislation and policies in the coming years. This is reflected in the Commission's work programme for 2026, in which more than half of the initiatives have a strong simplification component, aimed at reducing costs and administrative burdens for national authorities and businesses, with a particular focus on SMEs. More specifically, the European Commission is planning to publish the following **omnibus packages** targeting key sectors and areas:

Proposed name	Expected scope of simplification
Food and Feed Safety Omnibus	Reduction of burdens for agri-food operators while upholding EFSA standards.
Automotive Industry Omnibus	Simplification of approval and emissions reporting processes.
Energy Omnibus	Harmonisation of standards on the labelling and energy efficiency of products.
Fiscal Omnibus	Simplification of VAT rules and cross-border obligations.
Citizen Omnibus	Reduction of administrative procedures in cross-border public services (e.g. recognition of qualifications, mobility).

As a result of the simplification initiatives and various omnibus packages, the scope and implementation time frames for a wide range of European regulations related to environmental sustainability are undergoing substantial changes, such as the **corporate sustainability reporting directive (CSRD), corporate sustainability due diligence directive (CSDDD), European Taxonomy, the Carbon Border Adjustment Mechanism (CBAM), and chemicals regulations (CLP and REACH)**. It should also be noted that, with the establishment of a new category of companies (small mid-cap companies - SMCs), these will be able to benefit from some of the same less stringent requirements as SMEs.

This simplification of environmental legislation is intended to enable European companies to prosper, by ensuring that compliance with environmental objectives does not compromise their competitiveness. However, it is clear that **constant changes in legislation create a degree of uncertainty for companies**, which are unsure about how and when to prepare for legal requirements that may then be subject to changes or delays in their implementation. In this regard, it is important to emphasise that the European Commission is committed to simplification, but is calling for the **effective implementation of the measures** that are still on the table. One example of this is **strengthening market surveillance** in various regulations. This means that companies that align their strategy and their products and services with environmental legal requirements will be strengthened.

Progress in the Basque Country and industrial roadmap

As far as the situation in the Basque Country is concerned, there are certain parallels with what is happening in Europe in terms of achievements, but also in terms of the challenges that still lie ahead. The *"Basque Environmental Outlook 2024"* highlighted the **progress made in terms of air quality and reducing greenhouse gas (GHG) emissions**, putting the Basque Country on track to meet the emission reduction target set for 2030 by the Energy Transition and Climate Change Act. Also worth noting is the decline in the domestic consumption of materials, despite the growth of the Basque economy. As regards the relationship between the economy and the environment, the Basque Country has shown a significant decoupling between GDP and key environmental indicators, such as GHG emissions. However, despite this progress, the report also notes that **challenges remain**, such as **water management, contaminated soil remediation, waste management and green taxation.**

It is essential for the Basque Country to achieve a competitive and sustainable industry if it is to continue to make progress towards its goal of becoming a leading region in sustainability, in line with European objectives and policies. This is outlined in the *Basque Country Industry Plan 2030*, which was presented in June 2025. The Plan has three main lines of action aligned with Europe ("more industry", "better industry" and "less emissions") and shares the objective of reducing bureaucracy and simplifying administrative procedures, in line with the new European Union Competitiveness Compass and the Clean Industry Deal. The 15 strategic priorities defined in the plan include **developing new industrial opportunities arising from the circular economy**, decarbonising industrial activity while continuing to be competitive, and promoting adaptation to climate change.

The main new features in this plan are the **transformative projects**, which are intended as opportunities for collaboration in order to create a new industrial network.

Two of the transformative projects presented are directly linked to the circular economy. The first is the **"BasquESG" project,** the aim of which is to develop a sustainability assessment system for Basque SMEs that will enable them to respond to the growing demands of their stakeholders in terms of ESG criteria. The second one is the **"Basque Zirkular Metals"** project, the aim of which is to strengthen the competitiveness of Basque companies in the metallurgical sector, paying particular attention to the steel and aluminium branches by integrating circular economy strategies.

There are 5 other projects in addition to the two above which also focus on environmental sustainability in its broadest sense, including adaptation to climate change ("Euskadi: Climate Change Adaptation Living Lab"), resource recovery ("Recovery of contaminated land", "Recovery of foundry sands") and decarbonisation by using hydrogen and other alternative fuels ("Decarbonisation valley", "Renewable fuel hub").

The way forward for Basque companies to achieve sustainability and competitiveness

In this European and regional context, which is marked by the search for an economic model that will make it possible to achieve the environmental targets set, while ensuring competitiveness, independence and resilience, it is essential that **Basque companies move towards the decarbonisation and circularity** of their activities, not only motivated by compliance with legal obligations, but as an integral part of their strategy, viewing sustainability as a factor of differentiation and a lever for competitiveness. This is even more important given the fact that the sustainability demands of the market, beyond the regulatory framework, continue to play an important role.

To make further progress on the path to sustainability, **companies need to adopt a holistic view and strategic management of business risks**, including transition risks towards a sustainable economy and climate risks, as well as risks related to market volatility and trade wars, where environmental sustainability can be a mitigating measure.

Moreover, as prioritised in European policies, training in the new skills needed to cope with the demands of the regulatory framework and the market is indispensable. According to the results of the latest report on the Basque Circular Skills Analysis Platform, carried out by the Basque Circular HUB, companies are increasingly looking for professionals with cross-cutting skills in multiple fields. The most in-demand skills are those related to transparency and decarbonisation, in line with the main regulatory and market drivers, while the demand for skills in other areas such as ecodesign is still in its infancy.

This report outlines the keys identified by the Basque Ecodesign Center for Basque companies undergoing this transformation process that combine competitiveness and environmental sustainability.

03. The 10 keys to the circular economy for 2026

Having analysed the main progress made across the six thematic areas, the Basque Ecodesign Center identified ten key challenges in the circular economy for 2026:

1. **Security of supply and self-sufficiency of materials as keys to competitiveness and circularity in the new geopolitical context.**
2. **Boosting demand for sustainable products "made in Europe".**
3. **Simplification of regulatory and legislative requirements.**
4. **The entry into force of the legal measures stemming from the European Green Deal.**
5. **Voluntary ESG reporting for SMEs, a key to sustainable competitiveness in value chains.**
6. **Digital product passport (DPP). Tool for transparency, comparability and combating greenwashing.**
7. **Europe moving towards a single market for secondary materials.**
8. **Steel and metals. Circularity as a key factor in a strategic sector.**
9. **Taxation and financing: new opportunities to speed up the incorporation of sustainability at a corporate level.**
10. **Smart Circularity: digitalisation as a driver of circularity.**

1

Security of supply and self-sufficiency of materials as keys to competitiveness and circularity in the new geopolitical context

In the current geopolitical scenario, marked by international tensions, dependence on critical resources and disruptions in global value chains, the security of supply and self-sufficiency in terms of materials have become strategic factors affecting Europe's industrial competitiveness. The European Union is refocusing its industrial and environmental policies on a more resilient and autonomous model, in which the circular economy – through ecodesign and recovering materials – is no longer just an environmental tool, but also a lever for economic sovereignty. The Clean Industry Deal is Europe's response to ensuring that the green transition is underpinned by a strong manufacturing base that is less dependent on third countries and more efficient in its use of resources. Key initiatives will include the creation of the EU Critical Raw Materials Centre to ensure access to key industrial resources, and the Plan to protect the EU steel sector from the unfair effects of global overcapacity.

2

Boosting demand for sustainable products "made in Europe"

The European Commission wants to promote "clean" European products to revive the economy, thereby strengthening Europe's economic identity and reducing its dependence on foreign products, which are generally manufactured under less stringent environmental requirements. It plans to rely on various economic and market policy tools, including European funding packages aimed at bolstering investment in clean technologies, circular materials and low-carbon production, as well as green public procurement, which will act as a driver to stimulate demand for sustainable European products and services. The incorporation of resilience and sustainability criteria, through future regulations to speed up industrialisation, will be one of the keys to boosting demand for sustainable products developed in the EU.

3

Simplification of regulatory and legislative requirements

The European Commission is reducing regulatory pressure on European companies, especially SMEs, primarily by using various omnibus packages, in order to boost their competitiveness. Several recent European regulations have been scaled back in terms of ambition and moratoriums have been imposed on their implementation deadlines. These include the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the European Taxonomy, the Carbon Border Adjustment Mechanism (CBAM), the REACH Regulation, the EU Deforestation Regulation (EUDR), and the regulation on circularity and end-of-life vehicle (ELV) requirements. The European Commission's work programme for 2026 also includes a strong focus on simplification in the new regulations being developed, including future regulations on the circular economy, advanced materials and public procurement, and states that it will continue to use consultation tools to identify new opportunities for simplification.

4 The entry into force of the legal measures stemming from the European Green Deal

Both large companies and SMEs still face multiple environmental challenges from the regulatory "tsunami" resulting from the European Green Deal. Despite simplification and moratoriums, companies still need to adapt to regulations that cover a wide range of areas: corporate reporting and due diligence (CSRD, CSDDD, EUDR), ecodesign and transparency of environmental information through the digital product passport (regulations on ecodesign, batteries, packaging and packaging waste, construction products, etc.), consumer protection through greater product reparability and the fight against greenwashing (directives on the right to repair and consumer empowerment), decarbonisation and carbon leakage (ETS, NZIA, CBAM), and industrial emissions control (IED).

5 Voluntary ESG reporting for SMEs, a key to sustainable competitiveness in value chains

In the case of SMEs, the European Union is moving towards harmonising ESG transparency requirements, limiting them to those set out in the voluntary standard for SMEs, known as VSME. Based on this standard, the Basque Country is working on the "BasquESG" programme, the aim of which is to develop and implement an ESG assessment system in 2026 so that Basque SMEs can assess their environmental, social and governance performance. This assessment will then be able to be used by leading industrial companies, the financial sector and the public sector to mobilise SMEs. SMEs are also being driven towards sustainability by the voluntary decarbonisation targets of their customers and by private supply chain assessment systems. A proactive, forward-looking approach will make it possible to turn this pressure into opportunities.

6 Digital product passport (DPP). Tool for transparency, comparability and combating greenwashing

European regulations aimed at greater sustainability, transparency and comparability of products remain firmly in place and are expected to have a positive impact on industrial competitiveness. Examples are the Ecodesign for Sustainable Products Regulation (ESPR) and the progressive roll-out of the digital passport for prioritised products (iron and steel, aluminium, textiles, tyres, furniture, mattresses), the construction products regulation, the battery regulation and the packaging regulation. These tools will improve transparency and achieve greater product circularity by introducing criteria such as durability, repairability, and recyclability into product design. Opportunities for circular business models will emerge from introducing eco-modulation criteria into extended producer responsibility for waste.

7 Europe towards a single market for secondary materials

European market fragmentation has been identified as a major barrier to the effective deployment of the circular economy. Consequently, the European Commission is moving towards creating a single market for secondary materials to ensure that they can move freely between member states. This is one of the priorities for the future circular economy

regulation, scheduled for 2026, which will set harmonised quality, traceability and safety criteria for recycled materials. The aim is to remove regulatory barriers, foster innovation in recycling and strengthen European strategic autonomy, creating a more resilient, efficient and competitive production system. Similarly, the Critical Raw Materials Act (CRMA) underscores the importance of the circularity of critical raw materials as a means of ensuring supply.

8

Steel and metals. Circularity as a key factor in a strategic sector

The metal sector has become a strategic priority for Europe, to which the circular economy must make a significant contribution, as it is essential to bridge the gap between supply and demand for secondary materials. Proof of the strategic nature of these materials can be found in the European Steel and Metals Action Plan, the selection of iron and steel as the first sector regulated by the ESPR ecodesign regulation, and the announcement of a carbon intensity label for steel as part of the future regulations to speed up industrialisation. The Basque Government has included the "Basque Zirkular Metals" transformative project in the Basque Country Industry Plan 2030 in order to support Basque companies in the sector in their circular transition, in line with the European framework.

9

Taxation and financing: new opportunities to speed up the incorporation of sustainability at a corporate level

The European Commission is launching programmes that seek to promote strategic projects on decarbonisation and circularity on the one hand, such as regulations on net-zero industry (NZIA), critical raw materials (CRMA), and future regulations to speed up industrialisation and, on the other, financing programmes such as the European Competitiveness Fund (ECF) and the Strategic Technologies for Europe Platform (STEP), all aimed at helping companies move forward in a competitive and sustainable manner. In the Basque Country, it is worth noting the new tax deduction schemes introduced by the provincial councils and the Basque List of Clean Technologies, which give access to deductions of 35%.

10

Smart Circularity: Digitalisation as a driver of circularity

The transition to a circular economy needs to go hand in hand with digital transformation, supported by technologies such as the Internet of Things (IoT), big data, data analytics and artificial intelligence. The digitalisation and automation of data is becoming increasingly widespread in the field of corporate reporting, as demonstrated by the recent mapping of digital tools, platforms and initiatives for reports on sustainability published by EFRAG. Digitalisation is also essential for the roll-out of European tools designed to promote the transparency of products, such as the digital passport for different types of products (regulations on ecodesign, construction products and batteries) and the digital labelling of chemical products (CLP). It is also conducive to the integration of the single market, through initiatives such as the digital Carbon Border Adjustment Mechanism (CBAM) system and the future circular economy regulation.

The table below shows the level of involvement of each of the key factors in the nine value chains represented at the Basque Ecodesign Centre, broken down by company size.

	KEYS	LARGE COMPANIES	SMES	BASQUE ECODESIGN CENTER VALUE CHAINS
(I)	Security of supply and self-sufficiency of materials as keys to competitiveness and circularity in the new geopolitical context	●	●	● ● ● ○ ● ● ● ● ○
(II)	Boosting demand for sustainable products “Made in Europe”	●	●	● ● ● ○ ● ● ● ● ○
(III)	Simplification of regulatory and legislative requirements	●	●	● ● ● ● ● ● ● ● ●
(IV)	The entry into force of the legal measures stemming from the European Green Deal	●	●	● ● ● ● ● ● ● ● ●
(V)	Voluntary ESG reporting for SMEs, a key to sustainable competitiveness in value chains	●	●	● ● ● ● ● ● ● ● ●
(VI)	Digital product passport (DPP). Tool for transparency, comparability and combating greenwashing	●	●	● ● ● ● ● ● ● ● ○
(VII)	Europe towards a single market for secondary materials	●	●	● ● ● ○ ● ● ● ● ○
(VIII)	Steel and metals. Circularity as a key factor in a strategic sector	●	●	● ● ● ○ ● ● ● ● ○
(IX)	Taxation and financing: new opportunities to speed up the incorporation of sustainability at a company level	●	●	● ● ● ○ ● ● ● ● ●
(X)	Smart Circularity: Digitalisation as a driver of circularity	●	●	● ● ● ● ● ● ● ● ○

Automotive
Construction
Power generation and distribution
Distribution
Metal
Lifting equipment
Transport equipment
Production of power generation & transmission equipment
Financial

Level of involvement

● High ● Medium ○ Low

04. Transparency and positioning

The European Commission presented eight "Omnibus" packages over the course of 2025 in an attempt to simplify the legislative framework and reduce the bureaucratic burden, two key elements of the Commission's agenda to boost the EU's competitiveness.
The most relevant omnibus package in relation to this chapter on corporate transparency and positioning is undoubtedly **"Omnibus I - Sustainability"**, which is made up of several sections:

1. Proposal **(A) COM/2025/81** (February 2025) suggests making **structural changes** to the Corporate Sustainability Reporting Directive **(CSRD)**, and the Sustainability Due Diligence Directive **(CSDDDD)**. In the case of the CSRD, it proposes changes to the threshold for companies subject to the directive, eliminating mandatory sectoral standards and creating simplified voluntary standards for companies outside the scope of the directive (VSME). In the area of due diligence, it reinforces the focus on the direct supply chain ("tier 1"), sets five-yearly reviews, and replaces the automatic termination of commercial relationships with proportionate suspension mechanisms. The European Parliament and Council reached an agreement in December 2025 on a final text, to come into force at the start of 2026.

2. Proposal COM/2025/80 (February 2025), which was implemented in **(B) Directive (EU) 2025/794 "Stop-the-Clock"** (April 2025) and is already in force, **postpones** reporting obligations for most companies subject to the **CSRDD** (second and third waves) and extends the deadlines for the transposition and implementation of the **CSDDD**.

3. **(C) Delegated Regulation (EU) 2025/1416 ("ESRS Quick Fix")** (November 2025) is already in force and introduces specific adjustments for companies that already report under the CSRD (first wave) from 2024 onwards, making reporting obligations more flexible and allowing for a more gradual implementation of the **European Sustainability Reporting Standards (ESRS).**

4. Delegated Act C(2025) 4568 on **amendments to the Taxonomy Delegated Acts** (Disclosure, Climate and Environment) was adopted in July 2025 by the European Commission. This act limits the obligation to report on taxonomy alignment. It applies from January 2026 (applying to tax year 2025).

5. Regulation (EU) 2025/2083 (October 2025) is already in force and **amends the Carbon Border Adjustment Mechanism (CBAM) Regulation,** with a new threshold based on cumulative mass per importer per year, ensuring that more than 99% of emissions are covered by the scope of the Regulation.

4.1. Corporate Transparency

As part of the Omnibus I package, in 2025 the European Commission published several proposals that suggest making significant changes to Directive (EU) 2022/2464 on corporate sustainability reporting (CSRD) in terms of the deadlines for companies to meet their obligations, the threshold for companies subject to the directive, and the simplification of ESRS.

A

Impact of Omnibus I on the CSRD

Under the Omnibus I package, the European Commission proposes the following changes to sustainability information rules:

- Raise the threshold so that sustainability reporting requirements only apply to certain large companies, **significantly reducing the number of companies subject** to the CSRD.
- In the case of **companies that are not subject** to mandatory sustainability reporting requirements, the **European Commission proposes a proportionate, voluntarily applicable standard**, based on the Voluntary Standard for SMEs (VSME) developed by EFRAG.
- A **two-year deferral (until 2028)** of reporting obligations for second and third wave companies subject to the CSRD. This proposal was implemented through Directive (EU) 2025/794 "Stop-the-Clock" (*see information box "(B)More time to comply with sustainability regulations"*).
- Proposal to adopt a delegated act without delay to **revise the first set of ESRS**, which would substantially reduce the number of mandatory ESRS data points (see section "4.3 Corporate Reporting Standards").
- A limitation of the "side effects" of the CSRD. This would **limit the information that companies subject to the CSRD could request from other companies in their value chain** (particularly SMEs), using the information from the VSME as a reference.
- **Not setting mandatory sector-specific reporting standards,** thereby avoiding an increase in the number of prescribed data points that companies must report.
- Simplification and **relaxation of communication associated with the Taxonomy Regulation**, e.g. reporting on partial compliance.

Following a complex and controversial process, in which the European Council and Parliament made substantial amendments to the European Commission's proposal, **the final text updating the rules on corporate sustainability reporting was approved in December 2025**. After its publication in the Official Journal of the European Union at the start of 2026, member states will have 12 months to transpose it.

A summary of the most relevant aspects of each country's position in relation to the CSRD and the measures finally approved is set out below.

Aspect of the CSRD	European Commission (26/02/2025)	EU Council (26/06/2025)	European Parliament (13/11/2025)	APPROVED
Scope	> 1,000 employees > €50 M turnover or > €25 M balance sheet	> 1,000 employees > €450 M turnover	> 1,750 employees > €450 M turnover	> 1,000 employees > €450 M turnover
Reduction in the number of companies subject to the CSRD	Excludes 80% of the companies from the scope.	There is still a significant level of reduction.	Reduces the number even further, excluding approximately 92% of companies (targeting very large groups).	Excludes 90% of the companies from the scope.
Impact on SMEs in the value chain (knock-on effect)	Does not ask SMEs for additional information beyond simplified, voluntary standards.	Insists on reducing the knock-on effect on SMEs.	Tightens protection: large companies cannot ask companies in their value chain with <1,750 employees and <€450m for more information than is provided for in the voluntary standards.	Large companies cannot ask companies in their value chain with less than 1,000 employees for more information than is provided for in the voluntary standards.
ESRS and sector-specific standards	Less data requirements (focus on material risks and impacts).	Enfoque similar, sin cambios significativos	Confirma simplificación y estándares sectoriales voluntarios.	Los estándares sectoriales serán voluntarios.
Climate transition plans	Does not remove this obligation.	Watered-down language: companies should report on plans that "contribute" to the transition.	There is still an obligation to report on climate transition plans in the CSRD.	Companies only have to report if they have a climate transition plan.

Although many of the proposals to simplify the CSRD and CSDD have been under discussion and were not adopted until the end of 2025, measures aimed at delaying the implementation deadlines were quickly consolidated through **(B) Directive (EU) 2025/794 "Stop-the-Clock"**, which was published and has been in force since April 2025.

REGULATORY DRIVER

B *More time to comply with sustainability regulations*

In April 2025, Directive (EU) 2025/794, known as the **"Stop-the-Clock Directive",** was published as a matter of urgency. It was included in the Omnibus I package, and is aimed at simplifying sustainability regulations on reporting and due diligence.
More specifically, it provides for a **two-year delay** in applying the envisaged reporting requirements for the CSRD:

- Large companies (second wave) that were due to report in 2026 (in respect of 2025) will be required to report in 2028 (in respect of 2027).
- Although listed SMEs had reporting obligations in the initial version of the CSRD, which were delayed by two years under the Stop-the-Clock Directive, following the adoption in December 2025 of the measures to simplify the CSRD, **the reporting obligation for listed SMEs has been removed.**

Another key simplification measure stemming from the Omnibus I package is **(C) Delegated Regulation (EU) 2025/1416 ("ESRS Quick Fix")**, which provides for one-off adjustments for companies already reporting (first wave) from 2024 onwards, relaxing reporting obligations and allowing for a more gradual implementation of the ESRS.

REGULATORY DRIVER

C *(C) First wave companies' reporting obligations have been relaxed*

A proposal for a delegated regulation to amend Delegated Regulation (EU) 2023/2772 as regards the postponement of the date of application of disclosure requirements for certain companies, known as the **"ESRS Quick Fix"**, was published in July 2025.

This was implemented in the form of Delegated Regulation (EU) 2025/1416, which entered into force on 13 November 2025, following its *publication in the Official Journal* and will **apply to years starting on or after 1 January 2025.**

The regulation includes the following:

- **Postpones by two years the additional reporting requirements** that companies in the first wave would otherwise have to comply with for 2025 and 2026.
- **Extends the provisions for the gradual introduction** of ESRS E4 (Biodiversity and ecosystems), ESRS S2 (Workers in the value chain), ESRS S3 (Affected communities) and ESRS S4 (Consumers and end-users), which currently only apply to first wave companies with up to 750 employees, **to all first wave companies**. Companies with up to 750 employees may also skip the ESRS S1 (Own workforce) requirements.
- Extends **the safeguard provision** stating that a company, despite benefiting from these temporary exemptions in respect of a complete thematic standard, is obliged to disclose certain summary information on the subject matter if it has concluded that the subject matter is material, to all companies in the first wave.

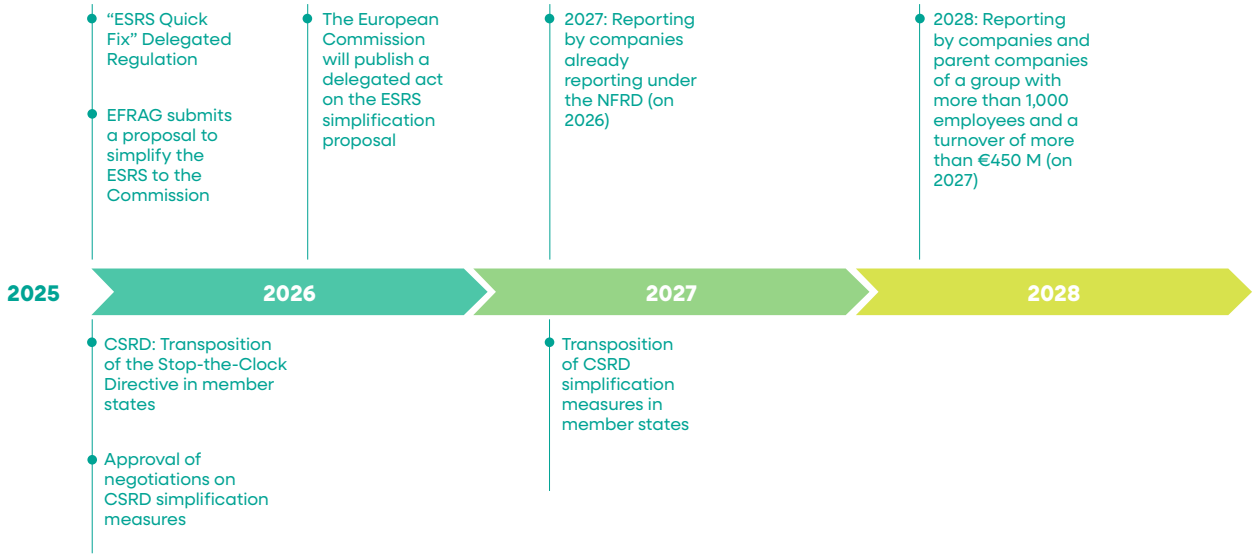


Figure 3. Time line with the most important milestones regarding the CSRD.

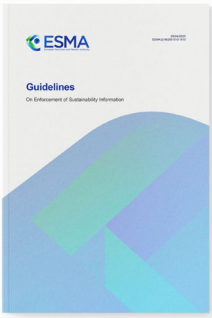
The policy objective of all these measures in the Omnibus I package is twofold: **to maintain the ambition of the Green Deal and the Sustainable Finance Agenda, but to adjust the pace and operational burden for European companies**. In the medium term, large companies will need to consolidate systems for managing sustainability data, limited assurance and climate transition plans. Although SMEs may fall outside the mandatory scope, they will be incentivised to apply voluntary standards in order to continue to be suppliers in regulated value chains.

In short, **the Omnibus I package marks a phase of regulatory transition**, and will lead to changes in the companies affected. However, it should not mean a step backwards in terms of sustainability requirements, but rather an attempt to rationalise and make their implementation more flexible, allowing companies to focus their resources on the quality of data and managing impacts, rather than on the bureaucracy of reporting.

The changes proposed in the Omnibus I package have led to a delay in the approval of the *Draft Corporate Sustainability Reporting Act (CSRA)*, which will amend the Commercial Code, the Law on Capital Companies and the Law on Auditing Accounts submitted on 31 October 2024, and transpose the CSRD into law in Spain.

Consequently, in November 2024, the Spanish Securities Market Commission (CNMV) and the Spanish Accounting and Auditing Institute (ICAC) issued a *joint communiqué* to provide guidance to subject entities and their verifiers, while awaiting the transposition of the CSRD into Spanish law.

In April 2025, the European Securities and Markets Authority (ESMA) published *guidelines on monitoring and enforcing sustainability information*, which must be applied by the competent authorities monitoring sustainability information in accordance with the Transparency Directive.



Finally, the *guide published by Ihobe* at the start of 2026 will be a useful tool for companies in relation to the risk assessment promoted by the CSRD. This guide is the

result of a pilot project undertaken by the Basque Ecodesign Center focused on **assessing the risks of transition to a sustainable economy for organisations.** The assessment and disclosure of transition risks is a requirement of Law 07/2021 on climate change and the energy transition for large companies, but it is also highly recommended that organisations integrate these risks into their corporate risk management. These risks include regulatory and political risks, technology risks, market risks and reputational risks.

Ihobe's guidelines follow a traditional risk analysis approach, which makes it possible to systematically identify and semi-quantitatively assess these risks. The methodology used is based on environmental and climate scenarios developed by the *Network for Greening the Financial System (NGFS)*, which consider a range of socio-economic conditions and different levels of climate action at the global level.

Ihobe has made this tool available to all Basque organisations so that they can carry out an initial assessment of their transitional risks in a structured, simple, and efficient manner. By integrating this assessment into their decision-making, organisations will be able to strengthen their position in terms of sustainability, increase their resilience and exploit opportunities as they transition to a low-carbon economy.

4.2. Assessment and Stimulation of the Value Chain

The European Commission's Omnibus I package has also had a substantial direct effect on **(D) Directive (EU) 2024/1760 on Corporate Sustainability Due Diligence (CSDDD)**.

Therefore, it is important for companies to adapt to these changes, and have a detailed understanding of the scope of the new requirements so as to adjust their due diligence systems accordingly.

D

Assessment and Stimulation of the Value Chain

Under the Omnibus I package, the European Commission proposes the following changes to the **CSDDD**:

- **Delay the deadline for member states to transpose** the CSDDD and the **deadline for implementation by the companies affected.**
- **Limit due diligence to companies' own operations**, with a risk-based approach to due diligence in the value chain.
- Limit the request for **information to suppliers.**
- The period in which companies must **assess and update** their due diligence system should be extended from one year to **five years.**
- The obligation to **terminate the relationship with a business partner** due to non-compliance should be eliminated.
- Remove the provision for a specific civil liability regime at a European level.
- Review the obligations in relation to adopting **transition plans for climate change mitigation.**

Measures aimed at delaying the deadlines for implementing the CSDDD were consolidated in **(B) Directive (EU) 2025/794 "Stop-the-Clock"**, which set out a staggered implementation schedule by type of company. However, concurrent negotiations on measures to simplify the CSDDD resulted in **changes to the implementation deadlines and the type of companies subject to the directive.**

After a complex, controversial process, in which the Council and Parliament made substantial amendments to the European Commission's proposal, **the final text to update and simplify the rules on corporate due diligence was approved in December 2025.** Member states will have until 26 July 2028 to transpose the directive, and **the measures will apply to companies from 26 July 2029.**

The most important aspects of the European Council and Parliament's position on the Commission's proposals regarding the CSDDD, and the measures that were ultimately approved, are summarised below.

Aspect of the CSDDD	European Commission (26/02/2025)	EU Council (26/06/2025)	European Parliament (13/11/2025)	APPROVED Agreement between Parliament and the Council (16/12/2025)
Scope	Unchanged.	Significantly increases the threshold. • EU companies: > 5.000 employees + > €1.5 billion turnover • Companies from third countries: > €1.5 billion turnover in the EU	Accepts high thresholds from the Council.	– Empresas UE: > 5.000 empleados y >1.500 M€ facturación – Empresas de terceros países: >1.500 M€ facturación en la UE
Chain of activities	Due diligence limited to own operations, subsidiaries and direct business partners (Tier 1); extension only with plausible evidence.	Keeps limitation to Tier 1; extension with objective evidence (risk-based approach).	Keeps the same structure, but reinforces the obligation to map out the chain and actively look for objective, verifiable information; sets a limit on requesting information from companies with fewer than 5,000 employees.	Limits the information to be requested from business partners with fewer than 5,000 employees (only when it cannot be obtained by other means).
Frequency of assessment	Reduced: from every year to every 5 years.	Keeps to the reduced requirement of every 5 years.	Keeps to the reduced requirement of every 5 years (prioritising risks).	Assessments every 5 years.
Climate transition plans	Keeps, but waters down the obligation.	Waters down and postpones them for two years.	Removes the obligation for CSDDD plans.	No es obligatorio desarrollar planes de transición climática.
Civil liability	Abolishes the harmonised civil liability regime at EU level (it refers to national law).	Keeps the abolishment.	Keeps the abolishment.	Suprime el régimen armonizado de responsabilidad civil a nivel UE (se remite a derecho nacional).
Relationship with defaulting partners	Flexibility (as opposed to prior obligation to terminate relationships); more emphasis on support measures.	Emphasises proportionality and risk-based nature; proposes remediation plans.	Emphasises suspension or termination of the relationship as a last resort.	Suspension or termination of relationships with business partners is not

In line with the moratorium policy, **Regulation (EU) 2023/1115 on products associated with deforestation (EUDR),** which was initially scheduled to come into force in December 2024, was delayed by one year. However, in December 2025, ***(E) Regulation (EU) 2025/2650*** was adopted, which amends Regulation (EU) 2023/1115 with regard to certain obligations of operators and traders, thereby delaying its implementation even further. This regulation also introduces simplified formats and traceability proportional to the size of the company for due diligence declarations. The approved implementation dates are as follows:

- 30 December 2026: medium and large operators
- 30 June 2027: micro and small operators

At the same time, Spain is processing the **Preliminary Draft Bill to Combat Deforestation**, approved by the Council of Ministers on 17 June 2025, which will create an **Office to Combat Deforestation** as the competent state authority. This new regulation will entail additional due diligence, traceability and document verification requirements for Basque sectors linked to agricultural, forestry and natural textile raw materials.

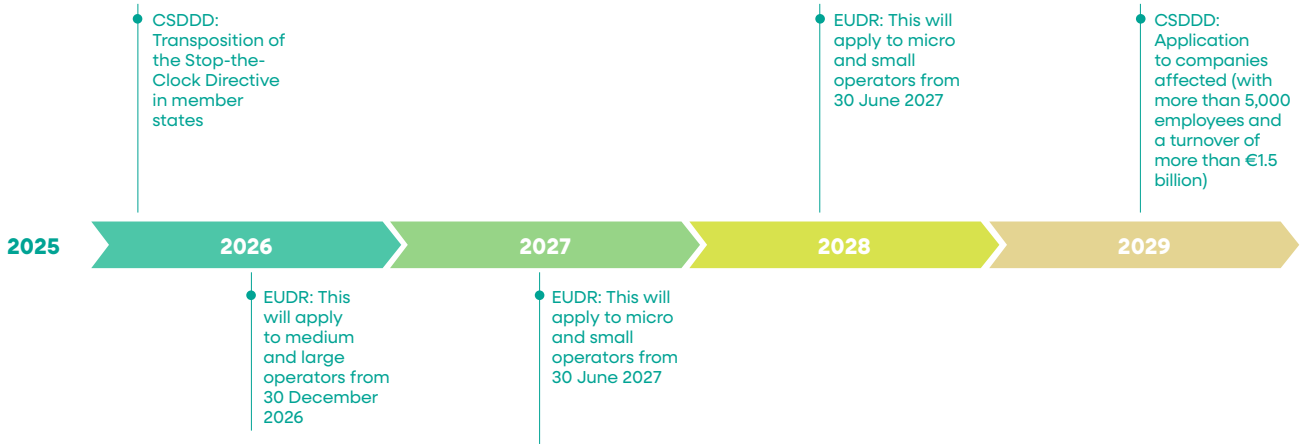


Figure 4. Time line with the most relevant milestones in relation to due diligence.

Meanwhile, **(F) Regulation (EU) 2024/3005 on the transparency and integrity of environmental, social and governance (ESG) rating activities** was published in December 2024. It is aimed at introducing a common regulatory regime to enhance the integrity, transparency, comparability where possible, accountability, reliability, good governance and the independence of ESG rating activities, thereby contributing to the transparency and quality of ESG ratings and the Union's sustainable finance agenda.

REGULATORY DRIVER

F

Greater transparency and integrity in ESG rating activities

Regulation (EU) 2024/3005, on the transparency and integrity of environmental, social and governance (ESG) rating activities, **applies to ESG rating providers operating in the EU**, regardless of whether they are based inside or outside the EU, and regulates how they issue, disclose and manage those ratings.

The main aims of the regulations can be summarised as follows:

- **Increase the reliability and quality of ESG ratings**, by reducing risks of methodological arbitrariness, conflicts of interest, opacity and lack of comparability.
- **Improve the transparency and integrity** of the processes of ESG rating providers, by requiring greater detail on their methodologies, governance, quality control, conflict of interest management, etc.
- **Contribute to the goal of mobilising sustainable capital**: as part of the European sustainable finance framework, by aiming to ensure that investors, markets, companies and other investment agents can rely on robust ESG standards to guide investment decisions.
- **Provide a common regulatory framework** that prevents ESG rating providers from operating with methodological and, therefore, performance discrepancies.

Consequently, the **aim of the regulation is not to regulate the use or mandatory nature of ESG ratings, but to regulate the producers of these ratings** so that they comply with minimum standards of transparency and integrity.

Existing ESG rating providers have until 2 July 2026 to adapt to the requirements of this regulation.

4.3. Corporate Reporting Standards

The European Sustainability Reporting Standards (ESRS) have also been affected by the European Commission's Omnibus I package.

The main regulatory changes are linked **(C) Delegated Regulation (EU) 2025/1416 ("ESRS Quick Fix")**, which extends the 2024 exemptions to 2025 and 2026, for example, on anticipated financial effects and unnecessary information on various standards, among others.

At the request of the European Commission, EFRAG published the **(G) Draft simplified standards for certain ESRS** in July 2025, reducing the required data points by 57%. These draft standards were open for public consultation until 29 September 2025 and *EFRAG submitted its Technical Proposal to the Commission on 3 December 2025*. This proposal was drawn up based on the lessons learned in 2024 from the companies in the 'first wave' of reporting and extensive evidence from different actors stemming from the public consultation. This set of draft simplified standards introduces substantial flexibility, relief measures and progressive implementation, and **ultimately reduces mandatory data points by 61%.**

The next step for the European Commission will be to prepare the Delegated Act revising the first set of ESRS, based on the technical advice submitted by EFRAG.

REDUCTION OF DATAPOINTS

-61 % Reduction of **mandatory** datapoints

-100 % Reduction of **voluntary** datapoints

REGULATORY DRIVER

G *Changes to the ESRS as a result of Omnibus I*

The proposed changes to the 12 revised ESRS standards can be found by clicking on this *link*, where the draft standards were published in November 2025, along with the proposed amendments and a summary of the amendments.

In November 2025, EFRAG also published a ***summary document showing the changes to the ESRS.***

The **main simplifications** implemented are as follows:

- The **usefulness of the information** is used as a general filter and the emphasis on faithful presentation is reinforced, so as to make reporting more relevant and less compliance-oriented.
- **Simplified materiality assessment:** clearer guidelines, lower burden of paperwork and better alignment with audit needs.
- **Elimination of the preference for direct data in the value chain,** reducing the pressure to collect data.
- **Substantial relief, proportionality mechanisms and ad hoc phased implementation** for the most complex disclosure requirements.
- **Principles-based standards for narrative information,** particularly on policies, actions and goals, with greater flexibility in the way information is presented and greater focus on the management of sustainability issues.
- **The ESRS are now shorter, clearer and easier to understand and implement.**
- **61% reduction in mandatory data points where material** and elimination of all voluntary disclosures.
- **On issues relating to the environment,** the amendments mainly affect (1) climate change, by improving alignment with IFSR S2, streamlining reporting on policies, actions and targets, and narrowing the boundaries of the carbon footprint; (2) pollution, by simplifying reporting on microplastics and on substances of concern; and (3) water, by clarifying the concept of "water" and simplifying reporting on water stress.
- **Improved interoperability with the ISSB Standards:** common disclosures are still required where possible, consistency is strengthened through the principle of fair presentation, and GHG limits and provisions on expected financial effects have been revised. As some ESRS reliefs go beyond those provided for in the ISSB standards, companies will need to take this into account if they want to comply with the ISSB standards as well.

Several of the amendments proposed by Omnibus I refer to the **(H) Voluntary Standard for Unlisted SMEs (VSME)**, published by EFRAG in December 2024. This standard was promoted by the Commission in its *Recommendation (EU) 2025/1710* of July 2025. In this recommendation, the European Commission:

- recommends the **voluntary use** of this standard by unlisted SMEs;
- recommends that financial institutions and other companies interested in sustainability information in their value chain **limit their requests for information** from SMEs to this standard and,
- recommends member states to raise awareness of the benefits of its use and **to promote its use** by SMEs.

The standard itself is included in Annex I to this recommendation. The standard consists of two modules that companies can use to prepare their sustainability report:

a) **Basic module:** B1 and B2 information and basic parameters (B3 to B11). This module is the right option for micro enterprises and is a minimum requirement for other enterprises.
b) **Complete module:** this module sets out additional data points to the B1 to B11 information typically requested by banks, investors and corporate clients of the company, in addition to those covered in the basic module.

BASIC MODULE

Code	Title	Summary
B1	Basis for preparation	Selection of module (basic only or basic + complete), if information is omitted (for confidentiality reasons), basis for consolidation or individual.
B2	Practices, policies and future initiatives for transitioning to a more sustainable economy	Qualitative indicator: existence of practices/policies/future initiatives. In the case of a complete module, this can be extended by C2.
B3	Energy and greenhouse gas emissions	Energy consumption in MWh (electricity, fuels; renewable/non-renewable), GHG emissions (Scope 1 and Scope 2) in tCO[] eq, and GHG intensity (emissions/turnover).
B4	Air, water and soil pollution	Quantities of pollutants emitted into the air, water and soil by the operation, based on availability or regulatory requirements.
B5	Biodiversity	Number and area (hectares) of sites owned, leased or managed in or near "biodiversity sensitive" areas; optional metrics such as total land use, sealed area, nature-oriented areas.
B6	Water	Total volume of water withdrawn, and, where applicable, quantity in water stressed areas; in some cases, also the volume of water consumed (water withdrawn less water discharged) by sector.
B7	Use of resources, circular economy and waste management	Indicators such as recycled content of products/materials and their packaging, waste management, circular economy principles applied to the business.
B8	Workers - General characteristics	Number of employees, employment structure, etc. (basic details about staff).
B9	Workers - Health and safety	Indicators linked to occupational health and safety of the company's own staff.
B10	Workers - Remuneration, collective bargaining and training	Indicators regarding remuneration, presence of collective bargaining, training hours, etc.
B11	Convictions and fines due to corruption and bribery	Number of convictions / amount of fines due to non-compliance with anti-corruption / bribery laws.

COMPLETE MODULE

Code	Title	Summary
C1	Strategy: business model and sustainability – Related initiatives	Description of significant products and markets, main business relationships and key elements of the strategy that affect sustainability.
C2	Description of practices, policies and future initiatives for transitioning to a more sustainable economy	B2 narrative scale-up: detailed description of practices/policies/ future initiatives, scope of application (suppliers, customers), level of responsibility, etc.
C3	GHG reduction and climate transition targets	Quantitative and qualitative GHG emission reduction targets, information on the transition plan to mitigate climate change.
C4	Climate risks	Identification and description of physical and climate transition risks that may affect financial performance.
C5	Additional (general) characteristics of workers	Additional details about staff beyond basic details: diversity, type of contract, etc.
C6	Additional information on the company's own staff - Human rights policies and processes	The company's own human rights policies and processes, own code of conduct, complaints management, etc.
C7	Serious negative human rights incidents	Existence of serious human rights incidents related to the company's own staff, actions and knowledge of incidents in the value chain
C8	Income from certain activities and exclusion from EU benchmarks	Statement on participation in controversial sectors (arms, etc.) and exclusion from EU benchmarks.
C9	Gender diversity index in the governing body	Indicate the gender diversity index in the governing body (where applicable).

TOOL

H

Voluntary Sustainability Reporting by SMEs (VSME standard)

The objectives of the VSME Standard are to help SMEs to:

1. provide information to satisfy the data requests of large companies;
2. provide information to banks and investors, thereby improving their access to finance;
3. manage their sustainability issues better, by boosting their competitiveness in the short, medium and long term;
4. contribute to a more sustainable, inclusive economy.

The VSME standard is structured around two different modules:

a) The **Basic Module**, devised as the entry level for all SMEs, is aimed at micro-enterprises (SMEs with less than 10 employees). This module consists of 11 disclosures and focuses on the key sustainability indicators most requested by value chain partners. It includes basic disclosures on GHG emissions (Scope 1 and Scope 2), environmental metrics, and details about the company's own staff and anti-corruption.
b) The **Complete Module** builds on the Basic Module and focuses on nine additional disclosures that banks, investors and value chain partners typically request from SMEs. For example, this module includes a brief description of ESG practices and future initiatives (disclosure C2), GHG reduction targets and transition plans (disclosure C3), incidents confirmed in the value chain (disclosure C7) and exclusion from EU benchmarks (disclosure C8).

VSME does not require a materiality assessment and promotes flexibility and usability by allowing companies to apply only what is relevant to their operations: with the condition "where appropriate". The modular structure ensures consistency with the ESRS for large companies and alignment with sustainable finance regulations (SFDR, ESG pillar 3 of the EBA - European Banking Authority - and the regulation on benchmarks) through a significantly simplified framework.

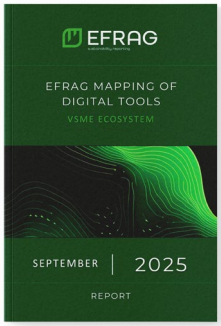
EFRAG has developed a **digital Excel template** for the VSME (available in Spanish) and an XBRL taxonomy, as well as an **XBRL converter** to facilitate automated, machine-readable disclosures, in order to make it easier to implement the VSME standard. The **final report**, which is generated automatically, would be in the language in which the digital EXCEL template was filled in.

These tools are available on a *dedicated EFRAG website* and will be updated to reflect EC recommendations and to allow it to be used in several languages.

EFRAG has also published two **(I) mapping studies of digital tools, platforms and initiatives** to assist SMEs in implementing them to report on their sustainability.

TOOL

VSME support tools on the market

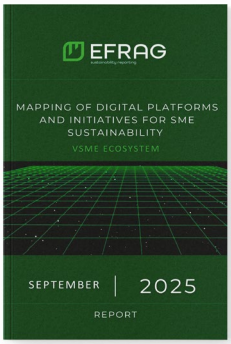


In September 2025, EFRAG published two reports on tools on the market that can help implement the VSME Standard.

The first report provided **practical support to SMEs wishing to report their GHG emissions based on the VSME.** The report identified 100 digital tools (e.g. GHG calculators and geolocation tools) that responded to EFRAG's call for interest and provided a comparative analysis of the shortlist of 12 GHG calculators that met the pre-defined criteria described in the report. The shortlist of GHG calculators provided practical support for SMEs wishing to report their GHG emissions based on the VSME.

A detailed report on the following shortlist of free tools can be found on the *EFRAG website*. EFRAG intends to update this list on an ongoing basis.

Sector-independent GHG calculators (country of emission factors)	*Advanced Business Carbon Calculator (Union Europea)* *Bilan Carbone + (Francia)* *Climate Compass (Dinamarca)* *Small Business Carbon Calculator (general)* *Climate Toolkit 4 Business (Irlanda)* *E-tool (version 3.0.0) (Alemania y Austria)* *ESG Kalkulátor (Hungria)* *Carbon footprint of an organisation. Scope 1+2 (Spain)*
Sectoral GHG calculator (Construction)	*EFFC/DFI Carbon Calculator*



The second report provided an overview of the 223 sustainability reporting platforms and initiatives for SMEs that responded to EFRAG's call for interest. The report focused on comparing the characteristics of the shortlist of platforms and initiatives that met the pre-defined criteria and completed a self-assessment to evaluate their degree of alignment with VSME.

Of these, 39 were selected and 20 answered an additional self-assessment questionnaire on alignment with VSME. EFRAG does not endorse any of the platforms mentioned in this report, as no verification of the content of the self-assessments received was carried out.

Those who declared full alignment were:

Developed by government entities	*ESG Template (desarrollado por la Danish Business Authority)* *Sustainability Code Database (German Sustainability Code)* *Portail RSE (Ministerio francés de Economía)*
Developed by national and European associations	*Bancopass (Assolombarda)* *OeKB ESG Data Hub (Austrian Kontroll Bank)* *WM VSME Tool (Fenavian–FoodDrink Europe). - payment required*
Developed by private entities	*MaterSustainability.today (Maistering B.V.)*

In July 2025, EFRAG also published the **State of Play 2025** study **and a platform** where it analysed the practices used by 636 companies in the report up to April 2025.

TOOL

Study and benchmarking platform on CSRD reporting

EFRAG launched its new "EFRAG 2025 State of Play" portal, a live interactive platform presenting key information from its latest **market study on the early implementation of the European Sustainability Reporting Standards (ESRS)** under the CSRD. The portal provides access to detailed results through a statistics dashboard and a repository of the 656 ESRS sustainability declarations analysed, issued in 2025, collected between 1 January and 20 April.

The main findings were as follows:

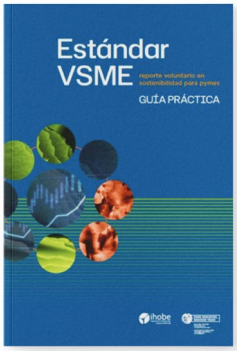
- Materiality coverage: **Only 10% of companies identified the 10 thematic ESRS as material.** Climate Change (E1), Own Staff (S1) and Business Conduct (G1) were the most reported.
- **Gaps in stakeholder engagement**: 97% involved internal stakeholders in materiality assessments, but engagement with wider societal stakeholders was still low.
- Transition plans: **55% of companies disclosed a climate transition plan**, although approaches and formats vary.
- Depth and extent of reports: The **extent of sustainability declarations varied considerably** (depending on the country, from 70 to more than 200 on average), with financial institutions producing more extensive reports on average.
- Under-reported issues: **Biodiversity and domestic carbon pricing continued to be limited in the disclosure.** Human rights incidents were rarely reported, despite the presence of other social data.

Regionally, it should be noted that the **"BasquESG"** transformative project was presented as part of the "Basque Country Industry Plan 2030". The aim of this project is to **develop a sustainability assessment system for Basque SMEs** to enable them to respond effectively to the growing demands of their stakeholders in terms of ESG criteria.

The system is in line with European regulations and initiatives (in particular the VSME) and is aimed not only at ensuring technical compliance, but also at improving the **competitive positioning of SMEs** at regional and international level, thereby helping to enhance their reputation, attract sustainable investment, facilitate informed decisions and generate sustainable value for companies.

Kutxabank, Laboral Kutxa, Iberdrola, Petronor, ITP Aero, Ingeteam, CAF, Mercedes Benz and Sidenor have joined the efforts of the Basque Government in this pioneering initiative. In addition to the financial sector, the companies involved represent the strategic sectors listed in the Industry Plan 2030: energy, renewable fuels, aerospace, smart grids and storage, sustainable mobility, automotive components, and metallurgy. The BasquESG initiative expects to reach 500 SMEs in the value chains of these companies by 2026.

Ihobe's first step in November 2025 was to publish a *practical guide on how to apply the VSME standard,* which included recommendations on how to use the standard, as well as a translation of the standard into Basque and Spanish.



4.4. Timeline

Q4 2025

31 December 2025 as the deadline for transposing Directive 2025/794 (“Stop-the-Clock”) in member states.

Ⓑ **Spain**

Q3 2026

26 July 2026 as the deadline for existing providers of ESG ratings to adapt to the requirements of the regulation.

Ⓕ **European**

Q4 2026

30 December 2026: requirements on the introduction, marketing and export of products from deforestation for large and medium-sized operators.

Ⓔ **European**

Q1 2027

CSRD: Reporting for companies already reporting under the NFRD (reporting in 2027 on 2026 data).

Ⓒ **European**

Q2 2027

30 June 2026: requirements on the introduction, marketing and export of products from deforestation for micro and small operators.

Ⓔ **European**

Q1 2028

CSRD: Reporting for large companies not currently subject to the NFRD (reporting in 2028 on 2027 data).

Ⓑ **European**

Q3 2028

CSDDD: 26 July 2028 as the deadline for transposing the Due Diligence Directive in member states.

Ⓑ **European**

Q3 2029

CSDDD: Due diligence for companies with an average of more than 5,000 employees and a worldwide net turnover of more than €1.5 billion in the last financial year

Ⓑ **European**

REGULATORY DRIVERS:

Ⓑ Directive (EU) 2025/794 “Stop-the-Clock”

Ⓒ Delegated Regulation (EU) 2025/1416 “ESRS Quick Fix”

Ⓔ Regulation (EU) 2025/2650 amending the EUDR

Ⓕ Regulation (EU) 2024/3005 on ESG rating activities

4.5. Implication Table

DRIVERS	LARGE COMPANIES	SMES	BASQUE ECODESIGN CENTER VALUE CHAINS
(A) Impact of Omnibus on the CSRD Directive	High	Medium	High
(B) Directive (EU) 2025/794 "Stop-the-Clock"	High	High	High
(C) Delegated Regulation 2025/1416 "ESRS Quick Fix"	High	Medium	High
(D) Impact of Omnibus on CSDDD Directive	High	Medium	High
(E) Regulation (EU) 2025/2650 amending the EUDR	High	Low	Low / Low / Low / High / Low / Low / Low / Low / Low
(F) Regulation (EU) 2024/3005 on ESG rating activities	Low	Low	Low / Low / Low / Low / Low / Low / Low / Low / Medium
(G) Guide with proposed changes to ESRS by EFRAG	High	Medium	High
(H) Voluntary Standard for Unlisted SMEs (VSME)	Low	High	High
(I) Studies mapping EFRAG's digital tools, platforms and initiatives	Low	Medium	Medium

Automotive
Construction
Power generation and distribution
Distribution
Metal
Lifting equipment
Transport equipment
Production of power generation & transmission equipment
Financial

Level of involvement

High Medium Low

05. Ecodesign for a circular economy

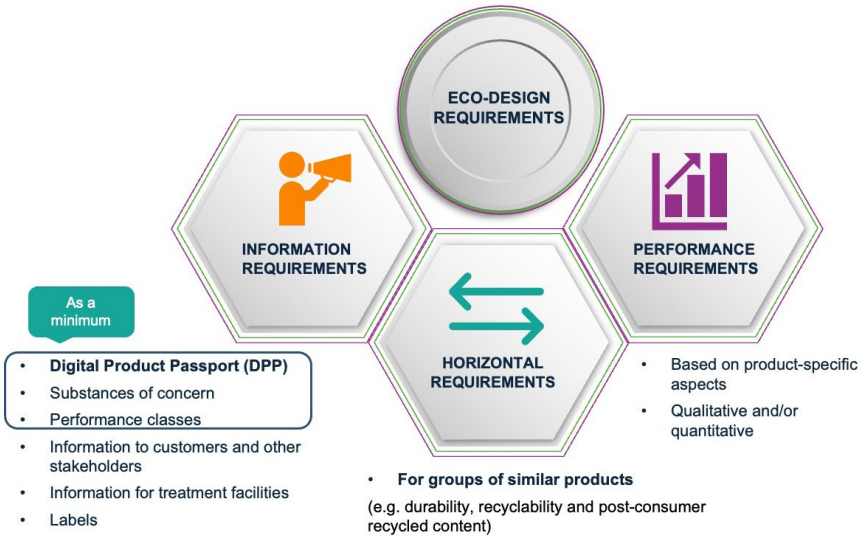
Ecodesign has become a key element in moving towards a circular economy by integrating environmental criteria from the earliest stages of designing products. The backbone of the European legal framework to promote sustainable products in the EU is the Ecodesign for Sustainable Products Regulation (ESPR), which sets ecodesign requirements, but also information requirements through the digital passport for a wide range of products. At the same time, progress is being made on the specific regulatory framework for key products, such as batteries and construction products.

Various technical standards and norms are being developed to support the deployment of these measures, regulating aspects such as the durability, repairability and recyclability of products.
The European Commission is also working on strengthening the strategic role of green public procurement as a lever to speed up demand for circular products and stimulate business innovation.

5.1. Regulation on the Ecodesign of Sustainable Products

Regulation (EU) 2024/1781 on Ecodesign for Sustainable Products (ESPR) entered into force on 18 July 2024, forming part of a package of measures that are key to achieving the objectives of the 2020 Circular Economy Action Plan and will help the EU double its circularity rate of material use and achieve its 2030 energy efficiency targets.

The aim of the ESPR is to significantly improve the circularity, energy performance and other environmental sustainability aspects of products on the EU market. It provides a framework for setting ecodesign requirements for specific product groups. This framework makes it possible to impose both **performance requirements and information requirements —so-called "eco-design**



requirements"— for almost all categories of physical goods (with some exceptions, such as food; feedstuffs; medicines; veterinary medicines; live plants, animals and micro-organisms; products of human origin; plant and animal products for breeding; and vehicles.

The ESPR replaces **Ecodesign Directive 2009/125/EC,** but broadens both the products affected and the range of ecodesign requirements that can be set for products, which may include requirements related to durability, circularity and the overall reduction of the environmental and climate footprint of products, among many others.

The specific ecodesign requirements for each product family will be set through **specific delegated acts,** after an analysis of the product family (preparatory studies), a discussion and validation process in the **(A) Ecodesign Forum** and the subsequent approval circuit.

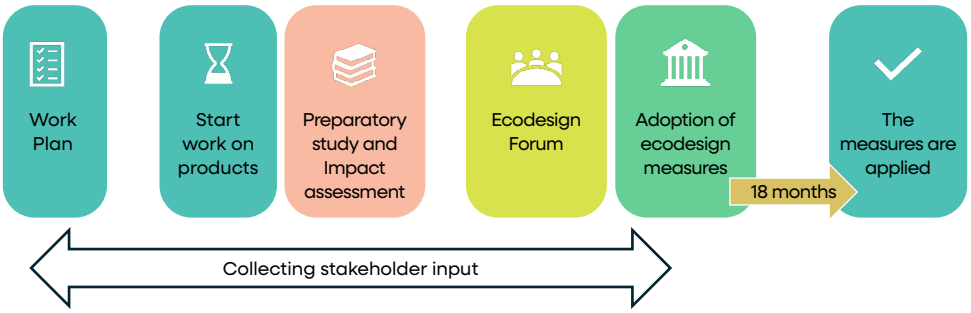


Figure 5. EU schedule for delegated and implementing acts.

It will also set up a **digital product passport** (*see section "5.2 Digital product passport"*), create a framework to prevent the d**estruction of unsold consumer products** (*see section "5.4 Sustainable consumption"*) and provide for the establishment of **mandatory green public procurement requirements** (*see section "5.7 Green procurement"*).

REGULATORY DRIVER

A

The Ecodesign Forum has been set up as a key element for implementing the ESPR Regulation

Through *Decision (EU) 2024/2779* of 24 October 2024 set up the expert group on ecodesign for sustainable products and energy labelling ("Ecodesign Forum").

Its main **tasks** are:

- To assist the Commission in preparing delegated acts
- To assist the Commission in preparing legislative proposals and policy initiatives
- To assist the Commission in implementing the Union's legislation, programmes and policies
- Coordination with member states, exchange of views
- Others (promoting the exchange of experiences and good practices in the field of sustainable products)
- To provide advice to the Commission on preparing implementing measures, i.e. before the Commission submits draft measures to a comitology committee

Members will be natural persons appointed to represent common interests, organisations, member state authorities and other public entities, with a maximum of 250 members.

The authorities, organisations and other public entities of member states will appoint their representatives and be responsible for ensuring that these representatives have a high level of expertise.

The selection of the natural persons appointed to represent common interests and the organisations that will make up the group was carried out through a **public call for nominations** (7/11/2024) and is open on a permanent basis. Entities that are currently part of the Forum and how to apply for possible inclusion can be found *here*.

From a **strategic** point of view, it is interesting for companies to be informed of the discussions and results of the forum, through one of the participating institutions or by proposing participation as an affected cluster (not as an individual company), so that they can influence and anticipate future requirements.

(B) Ecodesign for Sustainable Products and Energy Labelling Working Plan 2025-2030 (COM(2025) 187 final) was published in April 2025. The plan provides a **list of priority products** for introducing eco-design and energy labelling requirements over the next five years, and provides a clear overview of the expected time frames for publishing the corresponding delegated acts.

The Commission will also introduce **horizontal measures** for the reparability requirements for products such as consumer electronics and small household appliances (*see section "5.5 Reparability and Remanufacturing"*).

Consequently, companies that manufacture, or are included in the value chains of the products concerned, need to be ready, firstly, to comply with possible ecodesign requirements if they are direct manufacturers of the product, and secondly, to be able to provide manufacturing customers with the information required for compliance, if they are suppliers of materials or components.

REGULATORY DRIVER

B *First products to be affected by the ESPR Regulation*

The **first working plan associated with the ESPR Regulation** was published in April 2025, through Commission Communication COM(2025) 187 final, entitled "Ecodesign for Sustainable Products and Energy Labelling Working Plan 2025-2030".

The Communication was accompanied by *Commission Staff Working Document SWD(2025) 112 final,* detailing how the "Ecodesign and Energy Labelling Working Plan 2022-2024" associated with energy-related products (ErP) would eventually be implemented.

The new working plan includes the following product families:

Product	Planned adoption date	Comments
Textiles/clothing	2027	End product
Furniture	2028	End product
Tyres	2027	End product
Mattresses	2029	End product
Iron and steel	2026	Intermediate product
Aluminium	2027	Intermediate product
Low temperature emitters	2026	Extended ErP
Screens	2027	Extended ErP
Electric vehicle chargers	2028	Extended ErP
Domestic dishwashers	2026	Extended ErP
Domestic washing machines and washer-dryers	2026	Extended ErP
Professional laundry equipment	2026	Extended ErP
Professional dishwashers	2026	Extended ErP
Electric motors and variable speed drives	2028	Extended ErP
Refrigeration appliances (including domestic refrigerators and freezers)	2028	Extended ErP
Refrigeration appliances with a vending function	2028	Extended ErP
Light sources and (for ecodesign only) independent control mechanisms	2029	Extended ErP
Welding equipment	End of 2030	Extended ErP
Mobile phones and tablets	End of 2030	Extended ErP
Local heating appliances	2026 and mid-2030	Extended ErP. Energy label 2026. Ecodesign: mid 2030
Dryers	End of 2030	Extended ErP
Consumption in standby and off mode	End of 2030	Extended ErP

Horizontal requirement	Planned adoption date	Comment
Reparability (including the score)	2027	This could include products such as consumer electronics and small household appliances.
Recycled content and recyclability of electrical and electronic equipment	2029	

For intermediate products, the option of setting only information requirements is being looked at, due to the potential impact of performance requirements on end products using these intermediate products.

Other ICT specific products will be dealt with in the work on energy-related products (see *Commission Staff Working Document SWD(2025) 112 final*).

Ihobe has a training programme for working professionals through the **Basque Circular Hub** initiative, in collaboration with various intermediary agents such as Confebask, to build up capabilities in Basque companies in areas such as the digital product passport, ecodesign and environmental metrics.

TOOL

Support to cope with the requirements of the ESPR Regulation

The Basque Circular Hub initiative and Circular initiative for SMEs, which are both managed by the public company Ihobe, have a ***"Circular Economy Training Programme for working professionals",*** in collaboration with Vitoria-Gasteiz City Council, Bilbao City Council, CONFEBASK and its member associations, ADEGI, CEBEK and SEA. The programme is aimed at companies in the industrial sector, **particularly SMEs**.

This programme, which will start its third edition in 2026, covers topics such as preparing products for ecodesign requirements, applying new circularity requirements to products, new European standards on material efficiency, regulations and standards on sustainability and the circular economy, the digital product passport, new circular business models, the regulatory framework on the circular economy and the regulatory framework on sustainability in key sectors, among others.

Another initiative of interest to companies is the ***Ekodiseinatuz programme***, which provides organisations with the chance to incorporate young talent trained on the circular economy, carry out projects with a positive environmental impact and strengthen their commitment to sustainable innovation. Companies involved will be able to collaborate with young people trained on topics such as life cycle analysis (LCA), calculating environmental metrics, circular ecodesign, environmental product declarations (EPD) and environmental labelling. The **trainees**, who are final year university students, will receive a specific 50-hour training course given by Ihobe. They will receive specialist technical advice during the **five-month traineeship.**

5.2. Digital Product Passport

The **Digital Product Passport (DPP)** is a key tool in the European Union's sustainability and circular economy strategies, designed to provide detailed, accessible information on products throughout their entire life cycle. Its main objective is to improve traceability, encourage reuse, make products easier to repair and optimise recycling, while providing transparency on materials and their environmental impact.

A digital product passport will in principle be mandatory for products affected by information requirements associated with the ESPR, unless there is already a system in place that provides equivalent information, such as the *EPREL - European Product Registry for Energy Labelling.*

The digital product passport consists of two main parts: **the system** that supports it and **the information** included in it.

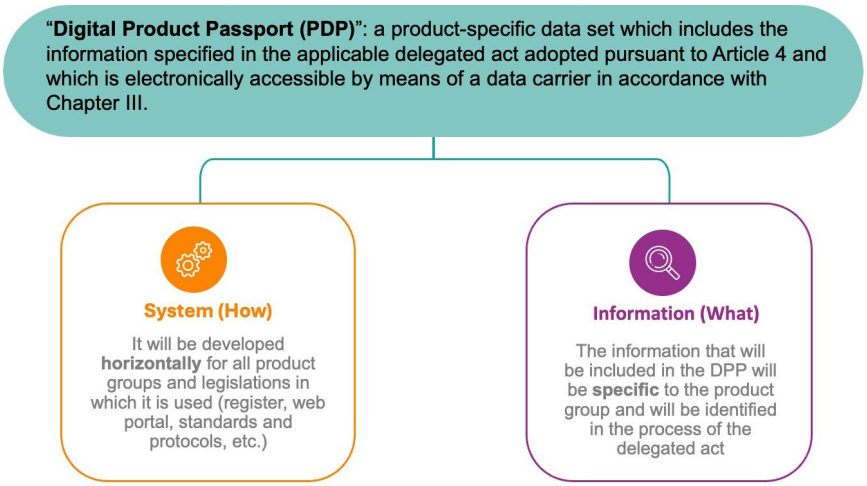


Figure 6. What is a Digital Product Passport?

As far as the **system** is concerned, the European Commission has sent a **(C) Request for Standardisation (Mandate M/604)** to CEN/CENELEC and specifically to the CEN/CLC/JTC 24 Work programme, to develop the standards needed to ensure the compatibility of the system, its reliability, etc. The **Technical Standardisation Committee (CTN) 333** of UNE – the Spanish Association for Standardisation – is also involved in this work, which is aimed at standardising the framework and system of the digital product passport.

C

Standards associated with the Digital Product Passport (DPP)

The European Commission requested CEN/CENELEC to develop standards for the technical aspects of the DPP through *Mandate M/604 (C(2024)5423)*, setting 31 December 2025 as the deadline for implementation.

The work is being carried out by the CEN/CLC/JTC 24.- Digital Product Passport - Framework and System working group. This group is developing deliverables for the framework and system of the Digital

Product Passport, based, among others, on standards on:

- unique identifiers;
- data carriers and links between the physical product and the digital representation;
- management of access rights, information, system security and business confidentiality;
- interoperability (technical, semantic and organisational);
- data processing, data exchange protocols and data formats;
- data storage, archiving and persistence;
- data authentication, reliability and integrity;
- application programming interfaces (APIs) for life cycle management and product passport search capabilities, and the data delivery system and data specification method, while ensuring cross-sector and cross-system interoperability.

The following are excluded:

- sector-specific standards;
- deliverables already covered by other CEN and CENELEC standards;
- definition of the content of data pertaining to different product types or segments (information to be included in delegated acts).

The standards currently being developed and their status is as follows:

Standard	Title	Status	Expected vote
prEN 18216 (WI=JT024003)	Digital product passport - Data exchange protocols	Approval pending	21/11/2025
prEN 18219 (WI=JT024001)	Digital product passport - Unique identifiers	Approval pending	21/11/2025
prEN 18220 (WI=JT024002)	Digital product passport - Data carriers	Approval pending	21/11/2025
prEN 18221 (WI=JT024006)	Digital product passport - data storage, archiving, and data persistence	Approval pending	21/11/2025
prEN 18222 (WI=JT024004)	Digital Product Passport - Application Programming Interfaces (APIs) for the product passport lifecycle management and searchability	Approval pending	21/11/2025
prEN 18223 (WI=JT024005)	Digital Product Passport - System interoperability	Approval pending	21/11/2025
prEN 18239 (WI=JT024007)	Digital Product Passport - access rights management, information system security, and business confidentiality	In the consultation phase	04/03/2026
prEN 18246 (WI=JT024008)	Digital product passport - Data authentication, reliability and integrity	In the consultation phase	04/03/2026

This structure must be complied with by Digital Product Passport service providers who offer their services to implement it for the products concerned. In this regard, the European Commission is preparing **(D) Rules that must be complied with by DPP service providers,** which are expected to be published through a delegated act in Q4 2026.

The scope of these requirements is expected to cover the main activities of DPP service providers, which would include:

i) the creation of the DPP;
ii) the creation of the data carrier;
iii) the DPP register;
iv) the hosting (storage) of the DPP consultation service in relation to the DPP;
v) the updating of information on the DPP;
vi) notifications about the DPP; and
vii) the provision of tools and services in relation to backups.

D *Standards that DPP service providers must comply with*

The European Commission intends to adopt a **delegated act** (expected in Q4 2026) which will set out standards on the **activity of digital product passport service providers.** To this end, it opened a public consultation process, which ended in July 2025.

According to Article 2(32) of the Ecodesign for Sustainable Products Regulation (ESPR), a digital product passport service provider is "a natural person or legal entity who is an independent third party authorised by the economic operator that is putting the product on the market and/or putting the product into service and that will processing the data concerning the digital product passport for the purpose of making it available to economic operators and other relevant actors with a right of access to such data under this Regulation or other provisions of Union law".

This delegated act will set up a **framework for DPP services**, a new market niche in the digital industry created by the ESPR. DPP service providers will be an **important part of the DPP system**, and it is essential that the new framework creates a fair and competitive market. By setting up this framework, the Commission aims to ensure that responsible economic operators are supported when it comes to complying with the requirements of the ESPR. The requirements for DPP service providers must not impose a disproportionate burden on companies that want to operate in this space or on other companies affected by them.

Possible requirements have been grouped into three areas at this preliminary stage:
- → information security and (information) services in relation to DPP data that responsible economic operators entrust to DPP service providers;
- → the financial viability of DPP service providers to ensure long-term access to information about the DPP;
- → assurances for companies that DPP service providers meet the requirements.

As regards the **information to be included in the digital product passport**, this will be defined in delegated acts for each product, which will outline what information needs to be included in it and how it needs to be included.

In order to pre-empt implementation and ensure that there are some practical case studies prior to the entry into force of these delegated acts, the European Commission has launched pilot projects to implement the DPP, including the **CIRPASS$_2$ project**, where practical use cases will be developed for the **textile, electrical and electronic equipment, tyres and construction** value chains. This project will identify possible barriers to this implementation and aspects that will be covered in future implementations.

MARKET DRIVER

Activities in projects associated with the Digital Product Passport. Case Studies

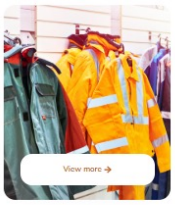
The European Commission has supported the implementation of demonstration projects related to the digital product passport. The **CIRPASS $_2$ project** is particularly noteworthy for its scope and potential impact.

This project is aimed at:

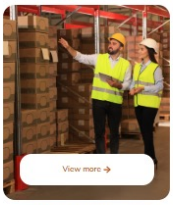
- Implementing and validating Digital Product Passports (DPP) **at scale in real environments**, through 13 pilot projects in 4 target value chains (textile, electrical and electronics, tyres and construction).
- Contributing to **standardisation efforts** related to the DPP and helping SMEs to adopt it.
- Demonstrating viable case studies of **circular businesses** using data from the DPP and interoperability between pilot projects.
- Supporting the implementation and adoption of DPPs by other sectors affected by upcoming European regulations.

It has 49 partners and will run for 36 months (May 2024 to April 2027).

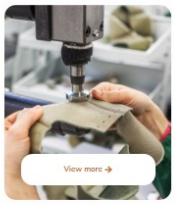
More details on the 13 pilot projects can be found by clicking on this *link*.



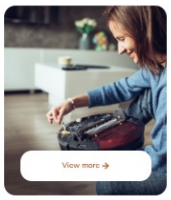
Circular Workwear



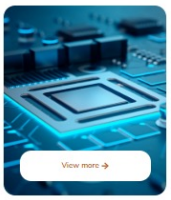
Connected Products Management at item level to support Circular Business Models and EU DPP at once



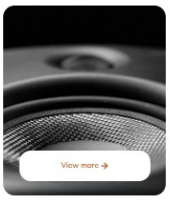
Scaling Circular Systems with Digital Product Passports



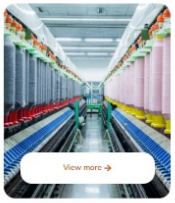
Reducing electronic waste by preventing incorrect repair of cordless vacuum cleaners by providing traceability with DPP



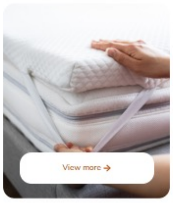
DPP4.0 across the lifecycle



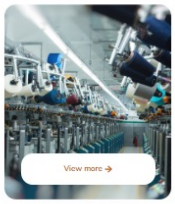
Empowering sustainable product life-cycle through DPP: A CIRPASS-2 Pilot Ecosystem for repair and maintenance of audio and emergency lighting equipment



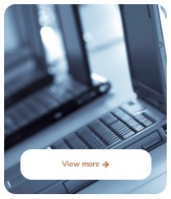
Textile loop



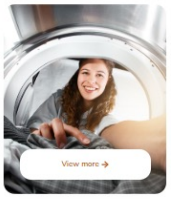
MattressID by TripleR.io



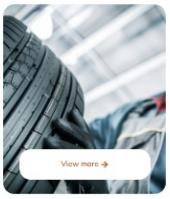
Prove that it's feasible for textile SMEs to issue DPPs on their products and demonstrate positive impacts to circularity economics



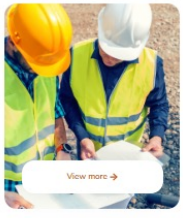
DPP for IT second-hand market and EOL



DPP's for product usage and end-of-use:Tumble Dryer routes for refurbishment, spare parts recovery and high-value component recycling



Tyre Digital Product Passport



Digital Product Passports for Construction: fostering collaboration and sustainability in product lifecycles

The project supports the *CircularData Ecosystem* platform, which is intended to be a **network of organisations** involved in the digital circular economy, including use cases of the Digital Product Passport, services, initiatives, possible collaborations, possible sources of funding, etc. It currently has 380 organisations and 25 clusters.

In the future, the Digital Product Passport is expected to become a key element not only associated with the ESPR, but also in the normal operation of products in the European Single Market, as indicated in Resolution (F) adopted by the European Parliament on 21 October 2025 on a **new legislative framework for products that will be suitable for the digital transition and sustainable** (2024/2119(INI)).

What is the future vision of the DPP, according to the European Parliament?

European Parliament Resolution P10_TA(2025)0242 of 21 October 2025 states that the DPP is intended to be a **single point of reference** for consumers, authorities and economic operators. Moreover, the DPP could **replace traditional declarations of conformity**, thereby simplifying procedures. The future Toy Safety Regulation, which will allow the use of the DPP instead of the declaration of conformity, has been cited as an example of this.

Emphasis has also been put on the fact that a horizontal PDP will allow authorities to easily access information on compliance and sustainability, thereby **facilitating market surveillance.**

The Commission has been urged to ensure **interoperability between the DPP and other EU databases** such as: EU Safety Gate, ICSMS, Certex, EU Customs Data Hub and Consumer Protection Regulation mechanisms. Data must be machine-readable and transferable between systems, so that unsafe or non-compliant products can automatically be identified and blocked.

The Commission has also been urged **to gradually integrate the DPP into the New Legislative Framework (NLF)** for all of the relevant products on the EU market, as a horizontal requirement. This should also apply to **used or reconditioned goods**, once consolidated for new products.

The DPP should reduce administrative burdens by: replacing paper-based information with digital data, **integrating all compliance requirements** into a single tool. However, essential security information also needs to be kept in a physical format for users with low digital literacy.

A review of the **use of the CE marking** has been proposed to assess whether it should be physically maintained or digitally integrated into the DPP and to avoid confusion about its meaning as a guarantee of safety or quality.

It has been suggested that harmonised methodologies should be created **to measure environmental impact, durability and circularity.** These metrics could lead to EU sustainability indicators, which could be made accessible to the consumer via a QR code, allowing products to be compared based on objective criteria.

There is also a suggestion that the DPP could be integrated with the principles of **the waste hierarchy,** prioritising reuse over recycling. To this end, manufacturers should retain key data on their products for longer periods of time.

5.3. Ecodesign in Sector-Specific Regulations

Several sectors have their own legislation related to aspects of ecodesign and information in a digital product passport, such as iron and steel, batteries and construction products.

The figure below shows the most relevant dates in the development of the Digital Product Passport in different sectors.

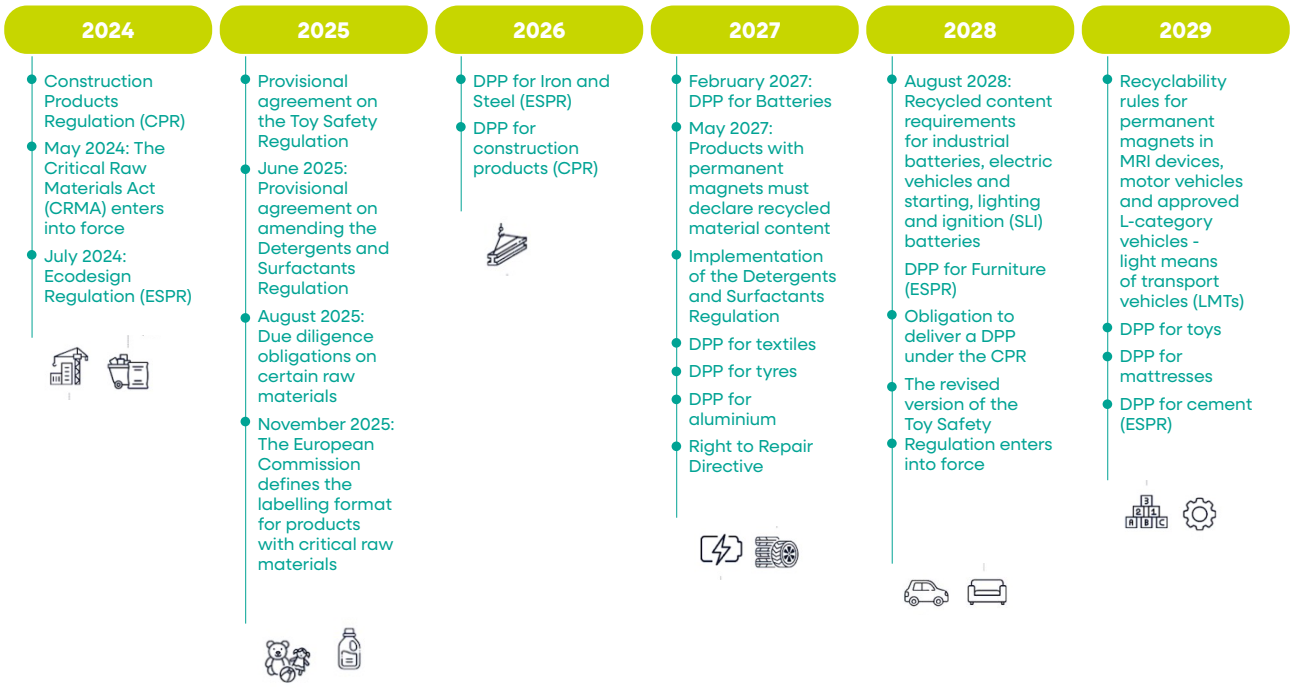


Figure 7. Timeline for implementing the Digital Product Passport globally in the various EU regulations, including the ESPR, the battery passport and the CRM. Source: based on CIRCULARISE.

Iron and Steel

The **(B) Ecodesign Working Plan 2025-2030** set iron and steel as priority intermediate products, and expects the associated **delegated act to be published in 2026.**

To this end, the associated *Preparatory Study*, carried out by JRC, has already been initiated. The draft versions of Task 1.- Scoping, Legislation and Standardisation, Task 2.- Market Analysis and Task 3.- Technical Analysis were published in May 2025.

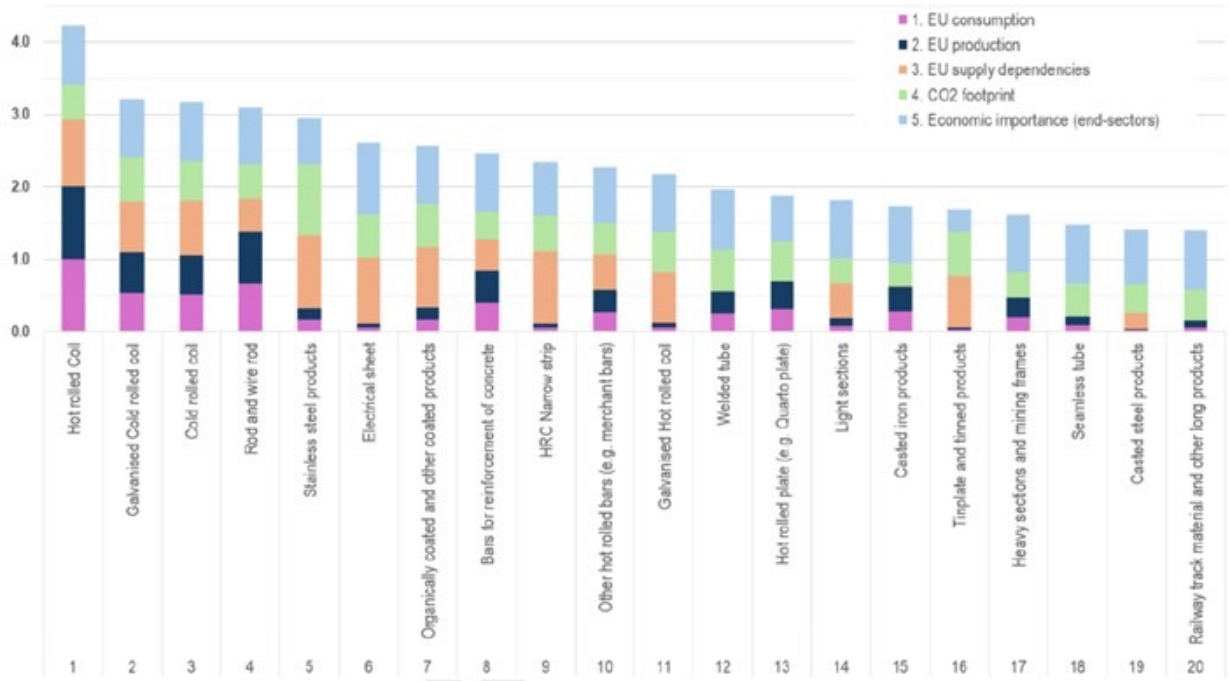
Task 1 proposes defining the scope by grouping products based on their applications or functionality, given the high heterogeneity of steel products.

Task 2 provides a comprehensive market analysis covering demand, value chains and market structure, which helps to categorise products and identify key consumer dynamics and trends.

Finally, Task 3 includes a detailed technical analysis of the technologies and production processes currently used in the sector, and forecasts an increase in the use of technologies such as electric arc furnace (EAF) and direct reduction (DRI-EAF) by 2035. In this scenario, the secondary material content per unit of crude steel is expected to increase from 55% currently to 61%.

The study makes an initial prioritisation of the **20 intermediate steel products** to be addressed, based on five criteria (EU consumption, EU production, Import dependency, Carbon footprint, and Economic importance). It highlights the importance of the following intermediate products: hot-rolled coil, galvanised cold-rolled coil, cold-rolled coil, rod/wire, stainless steel products and electrical sheets.

Figure 101. Final ranking according to the 5 selected criteria



Source: JRC own elaboration

Stakeholder participation is an essential component of the project, particularly in terms of data collection and joint analysis. Consequently, companies, experts and other relevant actors have been invited to register as stakeholders on the project website.

TOOL

What is meant by "green" steel?

A study by JRC published in 2025 attempted to answer this question. The steel industry is a significant contributor to global greenhouse gas (GHG) emissions, accounting for approximately 7% of global emissions.

As EU steelmakers invest heavily in decarbonisation, the success of these efforts depends on the market's ability to differentiate and reward low-carbon steel production.

In response, multiple initiatives and standards have emerged to define "low carbon steel" and set corresponding emissions thresholds. However, the **lack of a unified definition** and harmonised criteria poses significant challenges for policymakers, industry stakeholders and investors.

This report presents a comparative analysis of the main international initiatives and standards, assessing their methodological approaches, system boundaries and quantitative emission thresholds. The findings reveal substantial inconsistencies in scope, system boundaries and emissions accounting methodologies, which hinders comparability across frameworks, and affects market transparency and fair competition.

However, despite these differences, the study has identified a trend towards long-term alignment, with most initiatives aiming for similar emissions intensities by 2050.

In line with the strategic prioritisation of steel in Europe, the **"Basque Zirkular Metals"** project, which aims to strengthen the competitiveness of Basque companies in the metallurgical sector by integrating circular economy strategies, should be highlighted at a regional level.

MARKET DRIVER

"Basque Zirkular Metals" transformative project

The **Basque Zirkular Metals** project was included in the **Basque Country Industry Plan 2030** as one of its transformative projects, and is fully in line with the strategic priorities of the plan.

The aim of the project **is to strengthen the competitiveness of Basque companies in the metallurgical sector**, paying particular attention to the steel and aluminium branches by integrating circular economy strategies.

It is based on the new European regulatory framework, represented by the Ecodesign Regulation for Sustainable Products (ESPR) and the Digital Product Passport, aimed at improving efficiency in the use of materials, fostering circularity and reducing both emissions and dependence on imported raw materials. It is also aimed at preparing the Basque industrial sector for future legal obligations, promoting ecodesign initiatives in metal-intensive sectors and taking advantage of the opportunities arising from the emerging European market for secondary raw materials.

Batteries and their waste

Regulation (EU) 2023/1542 on batteries and their waste sets out **sustainability, safety, labelling, marking and information requirements** to make it possible to put batteries on the market or put them into service in the EU. It also sets out minimum requirements for **extended producer responsibility**, collection and treatment of battery waste and reporting. Moreover, it imposes **due diligence obligations** in relation to batteries on economic operators that put batteries on the market or put them into service. Furthermore, it sets requirements for green public procurement when procuring batteries or products into which they are incorporated.

As far as **labelling and information requirements** are concerned, measures have been introduced to ensure the availability of key information (characteristics, carbon footprint, useful life, recycling, etc.) to aid decision making by both consumers and professionals across the value chain. These measures include:

- **Digital industrial battery passport:** this will apply to all batteries for light means of transport (LMT), electric vehicle (EV) and industrial batteries with a capacity of more than 2 kWh that are put on the market or put into service **on or after 18 February 2027**.

  Furthermore, batteries must be labelled with a QR code which must give access to the product passport of the battery, among other things.

  Different types of information are defined based on the profiles of three potential users (Annex XIII): Public access, Persons with a legitimate interest and Notified Bodies, Supervisory authorities and the Commission.

- **Carbon footprint declaration:** this will apply to EV batteries (from 18 February 2025), LMT batteries (from 18 August 2028) and industrial rechargeable batteries (from 18 February 2026 and from 18 August 2030 for industrial rechargeable batteries with external storage). The method of calculation must be in accordance with Annex II.

- As far as **Due Diligence obligations are concerned,** *Regulation (EU) 2025/1561* of July 2025 amends Article 48 of the Regulation on batteries, **extending the deadline for economic operators to comply with their obligations until 18 August 2027** (2 more years). It also extends the Commission's deadline for issuing guidelines to 26 July 2026.

The **BASE Project** (Battery Passport for Resilient Supply Chain and Implementation of Circular Economy) focuses on developing, validating and implementing the Digital Battery Passport. It has 19 partners, from 12 countries, will last 36 months (June 2024-May 2027) and has the following goals:

- To develop a reliable, interoperable Digital Battery Passport framework and platform.
- To ensure tracking and traceability of the value chain throughout the entire life cycle of the Digital Battery Passport.
- To use advanced analytical techniques and artificial intelligence to estimate battery performance and safety indicators.
- To develop circularity indicators by considering the 4Rs (Reduce, Repair, Reuse and Recycle).
- To develop harmonised environmental, social, governance and economic indicators.
- To develop a business model to promote the circular economy in the battery value chain, by leveraging the Battery Digital Passport.
- To demonstrate and validate the concept of the Digital Battery Passport.

In July 2025, the Commission published *Communication C/2025/4104* on implementing the requirements for **exchanging battery-related data** in the framework of the revised Renewable Energy Sources Directive. It sets out recommendations related to the definition, units and frequency of availability of the data points that need to be shared when the electric or plug-in hybrid vehicle is in motion and when it is parked and connected to a charging point.

MARKET DRIVER

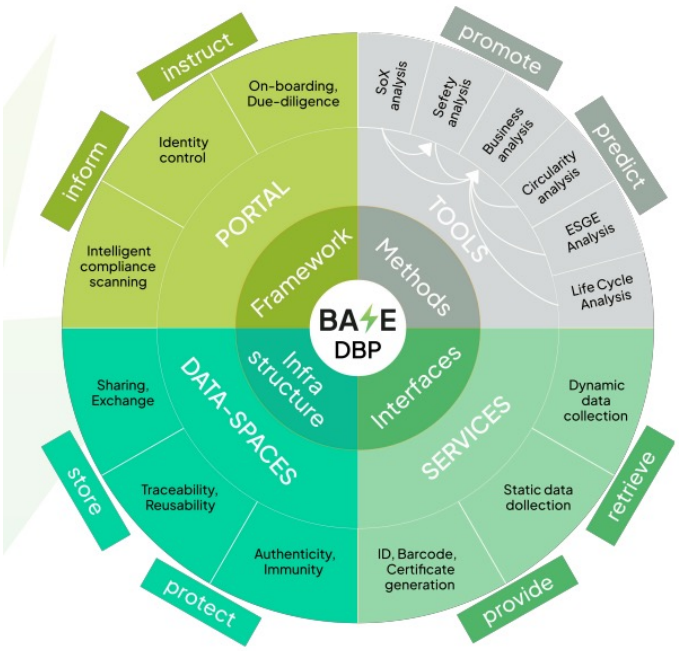
The Digital Battery Passport. BASE demonstration project

The BASE project will develop **transparent methodologies for calculating battery performance** and environmental, social, governance and economic indicators. The project will ensure the **traceability of critical raw materials across the entire battery value chain**. In the physical domain, this will be achieved using the mass balance approach. As far as data management is concerned, the BASE project will ensure the integrated verification of data authenticity across the value chain using distributed logging technology (DLT), thereby preventing data duplication, data manipulation, and ensuring privacy by design, as well as promoting data interoperability.

The Digital Battery Passport will provide up-to-date, accurate data on battery performance indicators, remaining life, decommissioning, material composition and safety. This will make it possible **to increase the useful life of batteries and lead to more efficient recycling**, which will increase resource efficiency, reduce waste and reduce dependence on critical raw materials from third countries.

The applicability of the Digital Battery Passport will be demonstrated through four pilot case studies:

- Pilot case study on the production of an electric bus platform for MERCEDES-BENZ.
- Pilot case study on the production of an economical electric vehicle platform for FORD Motors.
- Pilot case study on the production of electric tugboats.
- Pilot case study on the production of second life energy storage.



BA⚡E
Battery Passport for Transparency and Circularity

Construction products:

The **(E) Construction Products Regulation (EU) 2024/3110 (CPR)** sets out harmonised European rules for the CE marking of construction products, whereby the products to which it applies must bear the CE marking together with the information and documentation required in each case.

It establishes the obligation of a **"Declaration of performance and conformity"** which replaces the previous "declaration of performance" in repealed Regulation 305/2011. This declaration must include more complete information about the product, its essential characteristics, evaluation methods, conditions of use, and any intended conditions of use.

- The essential characteristics listed in points a) to d) of Annex II, from 8 January 2026. These are: a) effects on climate change - total; b) effects on climate change - fossil fuels; c) effects on climate change - biogenic; and d) effects on climate change - land use and change of land use.
- The essential characteristics listed in points e) to m) of Annex II, from 9 January 2030.
- The essential characteristics listed in points n) to s) of Annex II, from 9 January 2032.

The Regulation also provides for the creation of a **digital passport** for construction products. This passport should contain technical information, data on sustainability, traceability, materials, repair possibilities, reusability, etc. This passport should facilitate circularity and transparency throughout the life cycle of the product. The information to be included shall be laid down in the relevant delegated acts.

It incorporates **more demanding sustainability criteria**: it promotes reuse, refurbishment, recyclability of products, use of reciprocal materials, durability and waste reduction.

In **public procurement or public sector purchases,** sustainability criteria are allowed to be included in the award process (green public procurement).

It also strengthens **market surveillance** mechanisms to ensure that products put into circulation comply with the requirements of the regulation.

The Commission shall publish the **first working plan no later than 8 January 2026**.

Making the construction sector more sustainable requires accurate, verified information on the technical and sustainability characteristics of the products used. The *NBS Source platform* includes more than 1,100 manufacturers and 33,000 products that cover all aspects of construction, ready for use in construction projects. This includes images, catalogues, technical data sheets, digital objects and product specifications.

A team of technical experts works with the community of thousands of manufacturers to provide information on their products in a detailed, structured format. This improved data is listed in accordance with the rigorous NBS standards, featuring consistent properties, values, performance criteria and certification. Alerts indicate the last time a manufacturer checked a product to confirm its accuracy, and permalinks make it easier to trace products.

Circular economy in the supply of renewable energy

The study on *Circular Economy Strategies for the EU's Renewable Electricity Supply*, published by JRC in 2025, provides a new perspective and new evidence on the **waste streams resulting from the transition to renewable electricity** in the EU. The analysis supports the JRC's policy-making process and research on clean energy technologies implementing the European Green Deal, the 2030 Framework for Climate and Energy Action, the Renewable Energy Directive and the Waste Framework Directive.

The report summarises the information available on the topic: technologies, waste streams, relevant literature and data, and technical, economic and information challenges.

Clean energy technologies contain substances covered by the Critical Materials Regulation (CRM Act). However, the report does not focus on permanent magnets or rare earth minerals associated with renewable energies, mainly wind turbines. Instead, the report **points to potential priority waste streams such as steel, cement and silicon.**

It provides a strategic assessment that highlights the rapid increase in waste driven by the demand for technologies and infrastructure to replace fossil fuel infrastructure, resulting from the energy transition.

The report demonstrates that **future volumes of waste** from solar and wind power generation in the EU are complex and will be produced in much larger quantities and at a different rate than previously estimated. The report also quantifies the waste footprint from decommissioning fossil fuel power plants.

The main chapters focus on **wind turbines, solar panels and fossil fuel plants**, and identify the technologies, infrastructures and materials for each that require a circular economy perspective, and potential policies to foster circularity.

5.4. Sustainable Consumption

Sustainable consumption is regarded as being essential to reducing environmental impacts, decoupling economic growth from resource use and promoting green innovation. The **Ecodesign Sustainable Product Regulation** (ESPR) aims to provide the information needed to enable consumers to make an informed sustainable purchasing decision.

At the same time, other legislative initiatives have been developed to empower and protect consumers.

a) *Directive (EU) 2024/825 on consumer empowerment,* which is aimed at empowering consumers for the green transition by providing them with better protection against unfair commercial practices and more information. This is achieved by inserting specific rules in EU law to address misleading practices that affect consumers' ability to make decisions on sustainable consumption, such as early obsolescence, misleading environmental claims, misleading information on the social characteristics of products and non-transparent sustainability labels.

   Member states will have to adopt and publish the provisions required for compliance by 27 March 2026, at the latest, for **implementation on 27 September 2026.**

b) The proposed *Green Claims Directive, COM(2023) 166,* with the following objectives:
   - To increase the level of environmental protection and help speed up the green transition towards a circular, clean, climate-neutral economy in the EU.
   - To protect consumers and companies from greenwashing and enable consumers to help speed up the green transition by making informed purchasing decisions based on environmental claims and credible labels.
   - To improve legal certainty regarding environmental claims and a level playing field in the internal market, enhance the competitiveness of economic operators who strive to increase the environmental sustainability of their products and activities, and create cost-saving opportunities for operators who trade across borders.

   However, negotiations were halted in June 2025 and the Commission announced its intention to withdraw the proposal (still without a formal published act of withdrawal). The reason given was the possible overburdening of SMEs if its scope was extended.

c) *Directive (EU) 2024/1799 on the right to repair,* which sets common rules that strengthen the provisions on the **repair of goods** in order to help the internal market function properly, while ensuring a high level of consumer and environmental protection.

d) *Proposal for a Regulation* to set rules to implement Regulation (EU) 2024/1781 with regard to the details and format for disclosing information on **discarded unsold consumer products.** The planned date for approving this regulation (third quarter of 2025) was not met and there are no estimated dates to do so. It is expected that the regulation will specify:
   - the definition of the types of products concerned
   - the format for disclosing information
   - how this information should be verified.

In Spain, the Council of Ministers approved the **(F) Preliminary Draft Sustainable Consumption Bill** in a "first round" on 1 July 2025. The preliminary draft bill was subject to a public hearing and information phase between 4 July 2025 and 31 August 2025. On that basis, it will go on for drafting the opinion, reforms, and being sent to Congress for parliamentary processing.

The preliminary draft bill was presented as an instrument to transpose Directive (EU) 2024/825 on consumer empowerment into Spanish law and incorporates the provisions of the Directive on the repair of goods.

Some analysts expect that it could come into force between July and September 2026.

5.5. Repairability and Remanufacturability

Repairability and remanufacturability are key to moving towards a circular economy and extending the life of products within the system. The analysis carried out in December 2024 by the *Circularity Metrics Lab (CLM)* of the European Environment Agency (EEA) showed that the repair sector in Europe needs to be strengthened, as it is one of the metrics that has evolved negatively, compared to others that are evolving positively.

Enabling framework	Companies	Consumption	Materials and waste
Financing and lending for the circular economy	EU Ecolabel certifications	Carpooling	Elimination of waste in landfill
Circular economy requirements in product ecodesign regulations	Eco-Innovation Scoreboard Results	Global impacts of European consumption	Europe's material footprint
National circular economy policies	Employment in the circular economy	Public opinion on the circular economy	Renewable energy
Scientific articles on the circular economy	ESG performance of European companies	Turnover of the repair sector	Resource productivity
Circularity in green public procurement	Products assessed according to the French reparability index	Food waste in Europe	Circular material use rate
	SMEs offering green products or services		Generation of residual waste
	Production and consumption of chemical products		Total waste generation
			Waste recycling
			Growth of the material stock

Positive developments
Mixed developments
Negative developments
No trend / not assessable

As stated in the Ecodesign Sustainable Product Regulation (ESPR), repairability and remanufacturability may constitute ecodesign requirements (both in terms of performance and information) for those product families for which they are relevant.

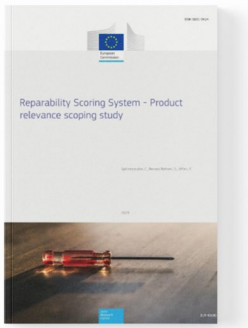
The **(B) Ecodesign Working Plan 2025-2030** for sustainable products and energy labelling (COM(2025) 187 final) states that reparability (including the score) could be included as a horizontal requirement for products such as consumer electronics and small household appliances, with an expected adoption time frame of 2027.

A clear, verifiable methodology for assessment is required to make this repairability quantifiable and comparable between products. A study that JRC published in 2025, entitled: **Repairability scoring system: product relevance scoping study**, analyses which products have the highest potential for this index.

TOOL

Which products have the greatest potential for a product repairability index?

A report by JRC carried out an exploratory study to identify the product groups, within the framework of ecodesign, that would be most relevant for **implementing an EU-wide product reparability scoring system**, based on the general system developed by the JRC in 2019.



The product groups considered fall within the categories of small electrical appliances, consumer electronics, and those included in the Ecodesign and Energy Labelling Working Plan 2022-2024.

The assessment of the relevance of the product groups was carried out using a **multi-criteria assessment methodology** (mainly qualitative) specifically proposed by JRC for this purpose. This methodology involves **first identifying the relevance** of the product group in terms of **market presence,** then its relevance for **extending its useful life** and **repairability**, and finally the relevance of tackling repairability using a **multi-parameter index**.

The results of the assessment provide a preliminary identification of the most relevant product groups proposed for setting a repairability score. Finally, it explores the possibility of addressing repairability scores through a horizontal measure that would cover several product groups.

The top-scoring products based on applying these criteria would be:

Table 11: Top ranked products based on Reparability Index relevance analysis

	Product group	C1: production impact	C2: failure frequency	C3: user / indep repair	C4:Expected vs actual lifetime	C5: software relevance	C6: upgrade /reuse relevance	C7: product complexity	Total Score
1	Imaging equipment	Pass	Pass	Pass	High	High	Medium	High	**11**
2	Game Consoles	Pass	Pass	Pass	Medium	High	High	High	**11**
3	Vacuum Cleaners	Pass	Pass	Pass	High	Medium	Medium	High	**10**
4	Coffee machines	Pass	Pass	Pass	High	Medium	Medium	High	**10**
5	TVs/ Monitor	Pass	Pass	Pass	High	Medium	Medium	Medium	**9**
6	Smartwatches /Fitness trackers	Pass	Pass	Pass	Medium	High	Medium	Medium	**9**
7	3D Printers	Pass	Pass	Pass	Low	Medium	High	High	**9**
8	Household washing machine	Pass	Pass	Pass	Medium	Low	Medium	High	**8**
9	Household refrigerators	Pass	Pass	Pass	Medium	Low	Medium	High	**8**

The European Commission adopted new ecodesign and energy labelling rules for **mobile phones and tablets** in June 2025, including a scoring system on the repairability of these devices.

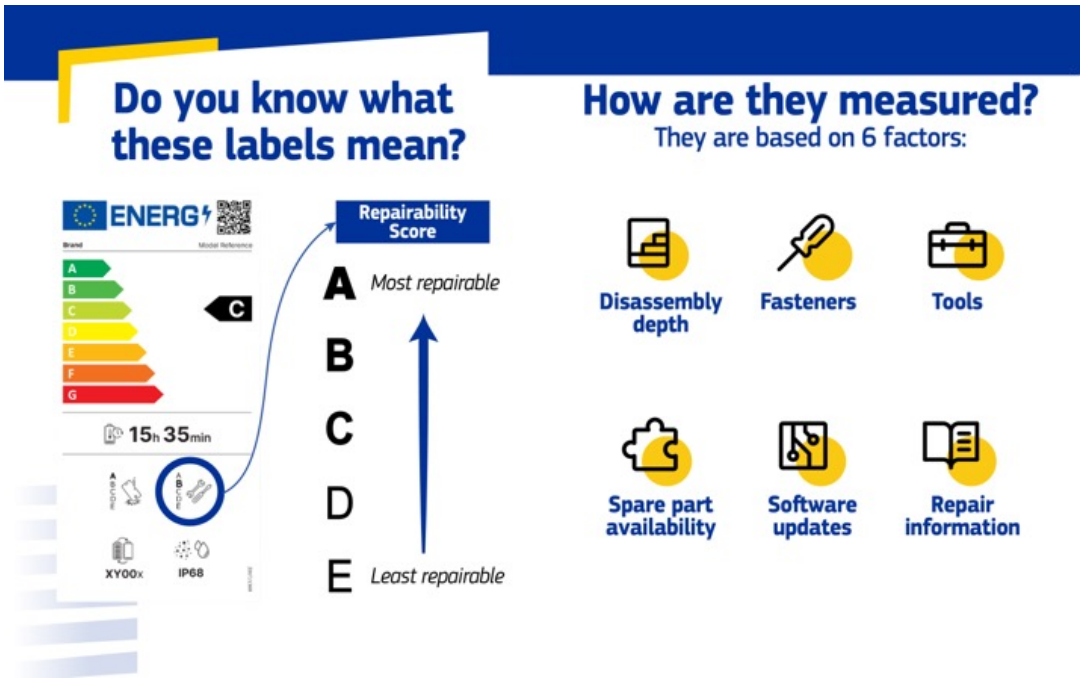
REGULATORY DRIVER

New repairability index for mobile phones and tablets

The European Commission has launched a **scoring system that will be integrated into the energy label for mobile phones and tablets,** as a measure to encourage the purchase of more sustainable devices and reduce the growing amount of electronic waste generated, by promoting a consumption model that prioritises durability, reuse and the reduction of environmental impact.

The repairability score will be given on a five-level scale (A to E), where A represents the highest level of repairability. This index is based on the *method developed by JRC* and considers:

- The priority parts of the device.
- The steps needed to dismantle it.
- The tools required to access the components.
- The availability of spare parts for and technical information about the repair.



The Commission is also considering extending this scheme to other electronic and small household appliances, within the framework of the Ecodesign Regulation for Sustainable Products (ESPR).

As far as **remanufacturing** is concerned, it is worth noting that the *European Committee for Standardisation on the Circular Economy (CEN TC 473)* adopted a new working proposal in March 2025 to develop a European standard on **"Remanufacturing: Quality classification for circular processes"**.

For many products and sectors, remanufacturing can provide environmental impacts and cost reduction benefits compared to new products. However, despite these benefits, the current adoption of remanufacturing processes is still low.

The standard proposed is intended to tackle one of the many barriers to growing the uptake of remanufacturing – the **lack of customer confidence** in the outcomes of the remanufacturing process - by setting quality classes for remanufacturing processes.

The process quality assessment provides each remanufacturing process with a specific quality mark. The standard proposed would also include **product circularity indices**, which would apply to all products from value retention processes, including remanufacturing. Lastly, the standard should specify the parts used in terms of their intended use and properties, so that they are not regarded as waste.

According to proponents, the lack of a cross-sector standard prevents manufacturers and consumers from understanding what can and cannot be expected from a particular remanufacturing process and its products.

For the development of this standard, different current standards and guides have been taken into account, more specifically the **"Practical Manual of Excellence in Remanufacturing"**, which **Ihobe** drew up, with the support of **Mondragon University** and the **Fraunhofer Institute**, after piloting it in 6 different Basque industries.

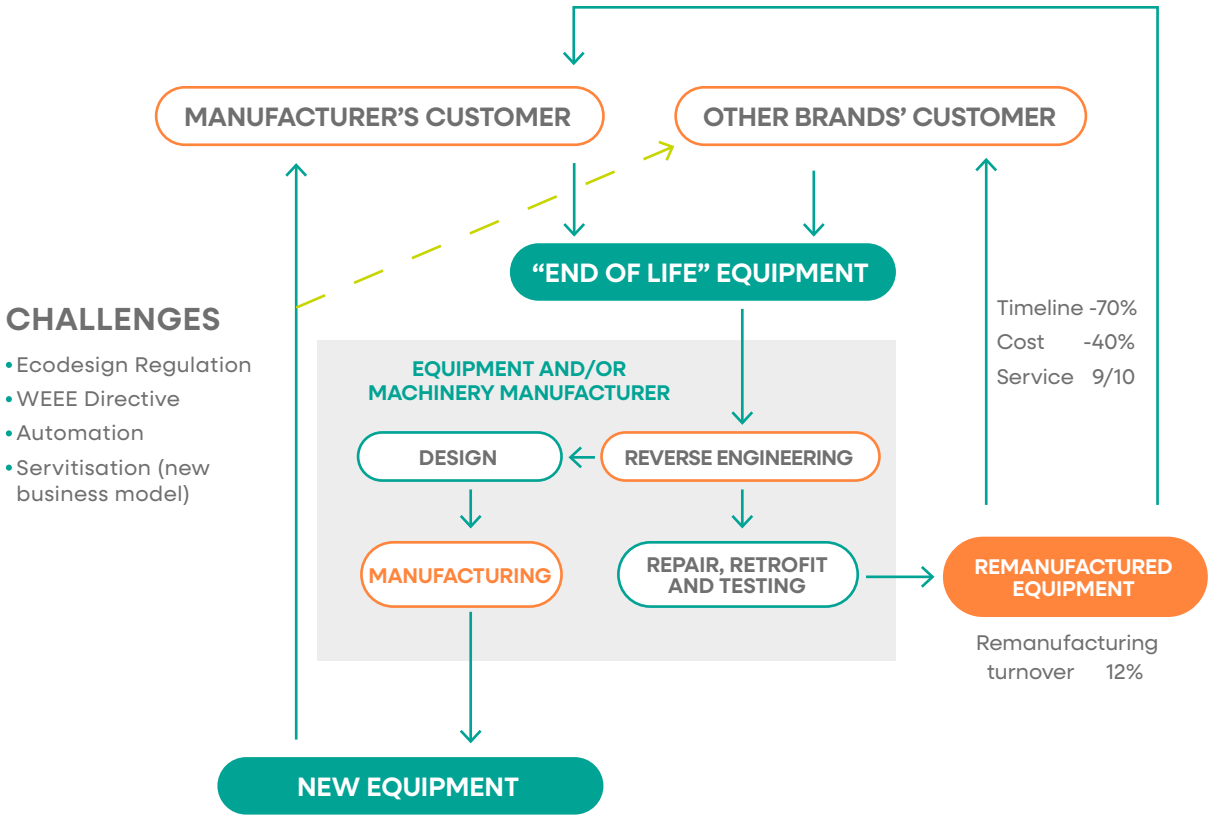
TOOL

Remanufacturing: a new tool to increase quality and customer confidence

Ihobe developed the *"Practical Manual of Excellence in Remanufacturing - Retention of Product Value"*, which has become a key tool for industrial companies interested in improving their remanufacturing and advanced repair processes.

The manual **includes a self-assessment tool** in Excel format that allows companies to assess their remanufacturing maturity level and decide on improvement actions. This method is structured in eight key areas: Business strategy and management; Resource management; Product and operations; Supply chain and parts management; Information management; Quality management; Process material flows; Technological maturity and know-how. Each area is assessed so as to classify the process into different levels of maturity, making it easier to identify areas for improvement and opportunities for innovation.

The document also **includes six real, representative cases of Basque remanufacturing or advanced repair companies** that have applied the aforementioned method with its tool.



This manual is one of the documents around which the new European EN standard "Remanufacturing - Quality classification for circular processes", currently being developed by the CEN TC 473 group, will be based, setting common requirements to ensure the quality, traceability and reliability of remanufactured products. Its expected adoption in 2027 will help to build market confidence and boost remanufacturing in industrial value chains.

5.6. Ecodesign and Circular Economy Standards

The International Organisation for Standardization (ISO), more specifically the *Technical Committee ISO/TC 323* on Circular Economy, is developing and has published standards on the circular economy.

The **Technical Standardisation Committee (CTN 323)** of UNE – the Spanish Association for Standardisation is also involved in this work. CTN's field of activity is the standardisation of the circular economy in order to develop guidelines, frameworks, guides, support tools and requirements of a horizontal nature.

The table below is a summary of the standards that have been published to date and those that are under development:

Standard / Document	Title	Status / stage	Brief objective / scope
ISO/AWI 59001	Circular economy management systems — Requirements	Under development (initial draft AWI)	This will develop a framework of "management system" type requirements (similar to ISO 14001) specific to the circular economy. It will be used to certify organisations.
UNE-ISO 59004:2024	Circular economy — Vocabulary, principles and guidance for implementation	Published by UNE (December 2024)	This defines the essential terminology and basic principles of the circular economy. It provides general guidance on how to implement it in organisations and value chains.
UNE-ISO 59010:2025	Circular economy - Guidance on the transition of business models and value networks	Published by UNE (April 2025)	This guides organisations on how to transform their linear business models towards circular models. It includes tools for mapping value chains and collaboration strategies.
ISO/AWI 59011	Circular economy - Organizing a value network towards circularity	Under development (initial draft AWI)	This specifies minimum requirements and provides guidance to help organisations design their value networks, thus contributing to the transition towards a circular economy. This document complements Clause 7 of ISO 59010. It does not include sector-specific requirements or recommendations.
ISO 59014:2024	Environmental management and circular economy — Sustainability and traceability of the recovery of secondary materials — Principles, requirements and guidance	Published by ISO (October 2024)	This defines the principles and requirements to ensure sustainability and traceability when recovering secondary materials (recycling, reuse, recovery). It includes social aspects and aspects related to the life cycle.
UNE-ISO 59020:2025	Circular economy — Measuring and assessing circularity performance	Published by UNE (September 2025)	This sets requirements and guidelines for measuring and evaluating circularity performance, using comparable indicators and criteria. It applies to the product, organisation and value network.
ISO/DTR 59031	Circular economy — Performance-based approaches- Analysis of case studies	Under development	This will deal with methodologies for assessing circularity based on dynamic performance, beyond static indicators.
ISO/TR 59032:2024	Circular economy — Review of existing value networks	Published by ISO (May 2024)	This includes case studies and lessons learned on existing circular value networks, supporting the practical application of ISO 59010.
ISO 59040:2025	Circular economy — Product Circularity Data Sheet	Published by ISO (February 2025)	This defines a standardised format for a product circularity sheet, to make it easier to exchange information and certify circular products.

MARKET DRIVER

Compilation of standards in support of the circular economy

In June 2025, the Spanish Association for Standardisation (UNE) published a report entitled "Standards in Support of the Circular Economy 2025" to help companies, administrations and other stakeholders identify Spanish (UNE), European (EN) and international (ISO and IEC) standards that support the transition towards more circular production and consumption models.

The report groups the recently published standards into 12 areas of application, including construction, textiles, telecommunications, water treatment and packaging, and describes the contribution each of them makes to goals such as reusing materials, the durability and repairability of products, the incorporation of secondary raw materials and the avoidance of greenwashing.

Furthermore, the **Global Circularity Protocol for Business** (GCP) was launched in November 2025, a voluntary international framework that provides companies with a comprehensive methodology for measuring, managing and reporting their circular economy performance.

TOOL

Global Circularity Protocol for Business: nuevo marco para medir y gestionar la economía circular en las empresas

It was inspired by the GHG Protocol and based on science, and was developed by the World Business Council for Sustainable Development (WBCSD) and the UN platform One Planet Network, together with a technical group of experts.

The Global Circularity Protocol provides companies with a clear methodology to assess material use, identify risks and opportunities, promote innovation and report their progress in a transparent manner. The document is structured under *five main headings:*

1. **Framing:** defining objectives, boundaries and scope.
2. **Preparing:** collecting information and setting the baseline.
3. **Measuring:** quantifying the use of materials and resources.
4. **Managing**: integrating results into the business strategy.
5. **Reporting:** disseminating progress in a coherent, verifiable manner.

These steps are in line with the CSRD Directive and the European Sustainability Reporting Standards (ESRS), thereby facilitating the connection between circularity and the current regulatory framework.

5.7. Green public procurement

Public procurement represents approximately 15% of GDP in the EU and can help to achieve a more circular, climate-neutral, cleaner economy that minimises impacts on biodiversity through the inclusion of environmental clauses.

The *European Clean Industry Deal* highlights the role that **public procurement** can play in helping to overcome barriers to market entry and support sustainable, resilient industrial ecosystems, employment and value creation in the EU.

In its position published on 18 July 2025 *(A10-0147/2025),* the European Parliament recognised the importance of green public procurement as an instrument supporting the transition to a sustainable, inclusive, just economy, especially on issues such as the inclusion of secondary raw materials in the market. This position represents a shift towards sustainable public procurement, which adds social criteria to green public procurement. It also explicitly mentions the need to consider both environmental and cost-related life cycle criteria in public procurement.

Consistent with this position and with the Clean Industry Deal, 2025 and 2026 will be key years for rolling out green public procurement in European legislation.

On the one hand, the European Commission has announced a **revision of the 2014 public procurement directives.** This revision is due to be adopted in 2026 and will include the use of sustainability, resilience and European preference criteria in strategic sectors. The new rules aim to strengthen Europe's cybersecurity resilience and supply chains, as well as simplify and modernise standards and reward companies that pioneer innovation and the technologies needed for the green and digital transitions. Another goal of the revision, related to self-sufficiency, is to give preference to "Made in Europe" products in public procurement in strategic sectors, either through mandatory or voluntary mechanisms.

Furthermore, the European Commission will present a proposal for an **Industrial Accelerator Act** in 2026, which will introduce resilience and sustainability criteria to promote a clean European supply for energy-intensive sectors. It also raises the possibility of voluntary carbon intensity labelling for products such as steel, to make it easier to identify sustainable products in public procurement processes (see Section "7. Decarbonisation with a life cycle approach").

Another piece of legislation that will mobilise green public procurement will be the **future European Circular Economy Regulation**, which is expected to be adopted in 2026. This legislation will consider a combination of interventions to promote the single market for waste, secondary raw materials and their use in products. Potential interventions include the reform of end-of-waste criteria, the simplification, digitalisation and expansion of extended producer responsibility schemes, and the introduction of mandatory, specific, impactful, implementable criteria for public procurement of circular goods, services and works.

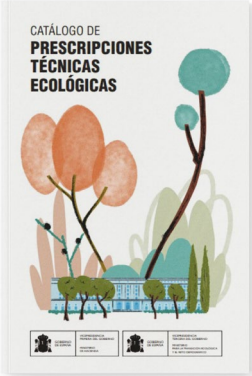
(G) Regulation (EU) 2025/40 on packaging and packaging waste was published in January 2025 and also has implications for public procurement. In accordance with Chapter X of this Regulation, and with the aim of incentivising the supply of and demand for environmentally sustainable packaging, the Commission will adopt implementing acts that will specify **mandatory minimum requirements for public procurement** that acquires packaging or packaged products or for services that use packaging or packaged products by **12 February 2030** at the latest. These minimum requirements may take the form of a) technical specifications, b) selection criteria, or c) conditions for executing the contract.

Finally, the Ecodesign Sustainable Product Regulation **(ESPR)** will also make it easier to apply green public procurement criteria by using standard tools such as the **digital passport** and the information it includes, which will make it possible to compare the environmental performance of products in a standardised way.

It is worth noting two new Spanish documents – the **Catalogue of Ecological Technical Requirements** (published by the Ministry of Finance and Ministry for the Ecological Transition) and the **Ecological Public Procurement Report 2025**, published by the Chair of Ecological Public Procurement, which compiles national and regional regulations that apply to various product categories.

TOOL

How can you incorporate specific ecological technical requirements into technical specifications?



The Ministry of Finance and Ministry for the Ecological Transition and the Demographic Challenge published a "CATALOGUE OF ECOLOGICAL TECHNICAL REQUIREMENTS" in 2025, using *Ihobe's green public procurement* criteria, among other sources.

The purpose of the Catalogue is to help state public sector entities incorporate specific ecological technical requirements into the technical specifications, by providing them with a **(non-binding) guideline**, which compiles specific technical requirements in a sheet format based on the type of contract and service.

This document was prepared for the purpose of:

- Documenting how to set technical requirements in a simple way for the different categories of priority goods, works and services listed.
- Setting guidelines for the various contracting authorities to introduce ecological technical requirements into public tenders for the contracts they award.
- Creating a single document that applies to the General State Administration and all state public sector bodies and entities.

The sheets that make up the catalogue are structured in three separate parts: the **content, examples** of ecological technical requirements and the verification mechanisms.

The requirements are set out in two levels: **Basic level** and **Advanced level.**

The **products covered** are:

Food and catering and hospitality services	Interior lighting of buildings	Outdoor street lighting and traffic lights	Electrical and electronic equipment used in the healthcare sector
Water heaters	Design, construction and management of office buildings	Design, construction and maintenance of roads	Electricity
Printing equipment	Events	Sanitary fittings	Flushing toilets and urinals
Furniture and wall panels	Computers and monitors	Photocopy and graph paper	Textile products
Gardening products and services	Cleaning products and services	Combined heat and power systems. Air conditioning systems	Transport

This all strengthens the commitment that the Basque Country has made to green public procurement for more than 15 years. In fact, in 2024, thanks to its Green Procurement and Contracting Programme 2030, 63% of public tenders in the Basque Country have achieved levels of environmentalisation in terms of economic volume and 47% in terms of number of tenders. New green procurement criteria for public lighting were published in 2024 and the *existing criteria*, integrating new features such as nature-based solutions in certain categories, such as those related to construction, were revised.

REGULATORY DRIVER

Which regulations support green public procurement?

In 2025, the Chair in Green Public Procurement has published the **Ecological Public Procurement Report 2025**, which analysed the main developments and trends in green public procurement, taking into account European Union law and Spanish state law, and also set out a large part of the relevant regulations at a regional level.

This report provided a regulatory roadmap at a key moment, marked by revisions to the Public Procurement Directive and the recent proliferation of European legislation – regulations and directives – with a direct impact on public procurement, strengthening its role as a driver of the green transition.
It identified cross-cutting and sector-specific regulations at a European, national and regional level for each sector, and analysed which articles and aspects could have an impact on green public procurement. It also included some of the most significant guides for some sectors.

The sector-specific regulations analysed are classified as follows:

Food	Biodiversity	Climate Change	Sustainable construction
Defence	Depopulation	Ecodesign	Circular economy
Energy	Carbon footprint	Mobility	Waste
Corporate sustainability obligations with an impact on public procurement			

5.8. Timeline

Q1 2026

Information requirements associated with some of the essential characteristics of construction products, such as carbon footprint, start to be implemented.

Ⓔ **European**

Publication of the Work Plan by the European Commission

Ⓔ **Europeo**

Q2 2026

Entry into force of the Sustainable Consumption Law.

Ⓕ **Spain**

Q3 2028

Forecast publication of a delegated act for furniture.

Ⓑ **European**

Q1 2030

Implementing acts that specify the mandatory minimum requirements for public procurement of packaging.

Ⓖ **European**

Q4 2025

Publication of standards associated with the CEN/CENELEC Digital Product Passport.

Ⓒ **European**

Publication of the delegated act for DPP service providers .

Ⓓ **European**

Q3 2026

Forecast publication of a delegated act for iron and steel.

Ⓑ **European**

Q3 2027

Forecast publication of a delegated act for textiles, tyres and aluminium. Also for Reparability (Horizontal).

Ⓑ **European**

Q3 2029

Forecast publication of a delegated act for mattresses. Also for recycled content and recyclability (Horizontal).

Ⓑ **European**

REGULATORY DRIVERS:

Ⓑ Eco-design Roadmap 2025-2030

Ⓒ Request for DPP standardisation (Mandate M/604)

Ⓓ Rules for DPP service providers to follow

Ⓔ Regulation 2024/3110 on Construction Products (CPR)

Ⓕ Preliminary Draft Sustainable Consumption Bill

Ⓖ Regulation (EU) 2025/40 on packaging and packaging waste - Green public procurement

5.9. Implication Table

DRIVERS	LARGE COMPANIES	SMES	BASQUE ECODESIGN CENTER VALUE CHAINS
(A) Ecodesign Forum	●	○	● ● ● ● ● ● ● ● ○
(B) Ecodesign Working Plan 2025-2030	●	●	○ ● ● ○ ● ● ○ ● ○
(C) Request for DPP standardisation (Mandate M/604)	●	●	○ ● ○ ○ ● ● ○ ● ○
(D) Rules that DPP service providers must comply with	●	○	○ ● ○ ○ ● ● ○ ● ○
(E) I Regulation 2024/3110 on Construction Products (CPR)	●	●	○ ● ○ ○ ● ● ○ ○ ○
(F) Preliminary Draft Sustainable Consumption Bill	●	●	● ● ● ● ● ● ● ● ●
(G) Regulation (EU) 2025/40 on packaging and packaging waste - Green public procurement	●	●	○ ● ○ ● ○ ○ ○ ○ ○

Automotive
Construction
Power generation and distribution
Distribution
Metal
Lifting equipment
Transport equipment
Production of power generation & transmission equipment
Financial

Level of involvement

High Medium Low

06. Raw materials and waste management

El abastecimiento sostenible de materias primas es clave en la transición hacia una economía circular y climáticamente neutra. La creciente presión sobre los recursos naturales, unida a la dependencia exterior de materias primas, ha puesto de relieve la necesidad de impulsar el uso de materiales secundarios generados dentro de la propia Unión Europea. Un enfoque que contribuye a reducir el impacto ambiental, y refuerza la autonomía industrial, la resiliencia de las cadenas de suministro y la competitividad de las empresas europeas. A lo largo de 2025 la Comisión Europea ha articulado este enfoque, donde competitividad y sostenibilidad avanzan de manera conjunta, a través de iniciativas estratégicas como el Pacto por una Industria Limpia y el Plan europeo de Acero y Metales.

En paralelo, la propia gestión de residuos es fundamental para cerrar el ciclo de los materiales y aumentar la disponibilidad de materias primas secundarias. Aunque la tasa de circularidad de materiales en Europa sigue una tendencia ascendente, es aún muy lenta, poniendo de manifiesto la necesidad de políticas más ambiciosas. En este sentido, la Comisión Europea está avanzando hacia marcos regulatorios que abarcan todo el ciclo de vida de los productos, integrando desde el ecodiseño a los sistemas de responsabilidad ampliada del productor. A ello se suma la ampliación del ámbito de gestión a nuevas corrientes de residuos que hasta ahora no habían sido prioritarias.

6.1. Metals

The EU metals sector faces a growing gap between supply and demand for recycled materials, whereby market needs are not being met. In the case of steel, despite its high degree of circularity, with collection rates for recycling of around 85% and a 32% share of scrap in production, demand exceeds the availability of recycled material, maintaining dependence on virgin raw materials. Furthermore, steel and aluminium producers in third countries are paying high prices for European scrap, further complicating the availability of secondary material.

The situation is even more marked in the case of aluminium and copper, where the supply of recycled material is insufficient to meet industrial consumption. In the case of copper, the absence of mining in Europe highlights the vulnerability of supply. Aluminium, on the other hand, maintains an external dependence of 46%, aggravating the risks of trade tensions and export restrictions.

As a result, exports of ferrous scrap have more than doubled in recent years, reaching a peak of 19.43 million tonnes in 2021, which is equivalent to approximately 20% of the scrap generated in the EU. Furthermore, European exports of aluminium scrap reached a new record in 2024, exceeding 1.3 million tonnes.

In this framework, the European Commission presented the **(A) European Steel and Metals Action Plan** in March 2025, which sets out the roadmap to **decarbonise, modernise and increase the competitiveness of the EU metals sector,** considered to be essential for strategic autonomy and the climate transition. The

document addresses the main challenges facing the sector: high energy costs, unfair international competition, investment pressure for decarbonisation and regulatory burden, and sets out measures under six pillars of action.

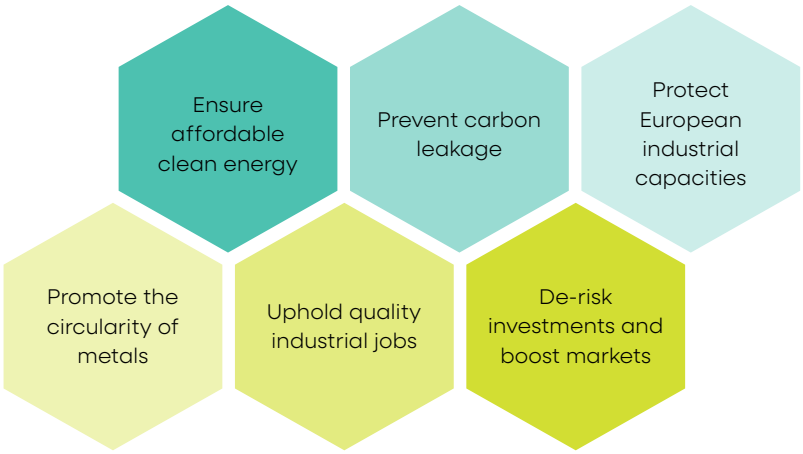


Figure 8. The six pillars of the European Steel and Metals Action Plan.

MARKET DRIVER

A

The promotion of circularity in the European Steel and Metals Action Plan

To promote circularity, the European Steel and Metals Action Plan sets out two main lines:

1. **Stimulate internal demand for secondary metals.**
   - → Improve the sorting and treatment of scrap for use in high quality applications.
   - → Encourage investment in recyclers and end-users, and promote economic incentives on a European and national level.
   - → By the end of 2026, complete a feasibility study on the incorporation of recycled steel and aluminium in vehicles, within the framework of the ELV Directive.
   - → Introduce ecodesign requirements, recyclability and recycled content targets for steel and aluminium in key sectors.

2. **Ensure fair trading conditions and access to recycled material.**
   - → Apply the new tools in the revised Waste Shipments Regulation to control exports.
   - → Evaluate the introduction of specific trade measures to ensure the availability of scrap in the EU.
   - → Move towards a single market for secondary raw materials, removing regulatory barriers caused by non-harmonised waste classification systems.
   - → Promote technical standardisation.

International competition, especially the mass influx of steel from China, has put pressure on prices and the competitiveness of the European metals sector. In response, the EU strengthened its trade defence mechanisms throughout 2025. On 7 October, the Commission proposed a *Plan to protect the EU steel sector from the unfair impacts of global overcapacity,* fulfilling the commitments set out in the European Steel and Metals Action Plan. The plan sets out to limit tariff-free imports, increase the level of out-of-quota tariffs to 50% and introduce a traceability requirement ("melt and pour") to verify the origin of imported steel. The proposal will be discussed in the European Parliament and the Council and it is expected to enter into force on 1 July 2026.

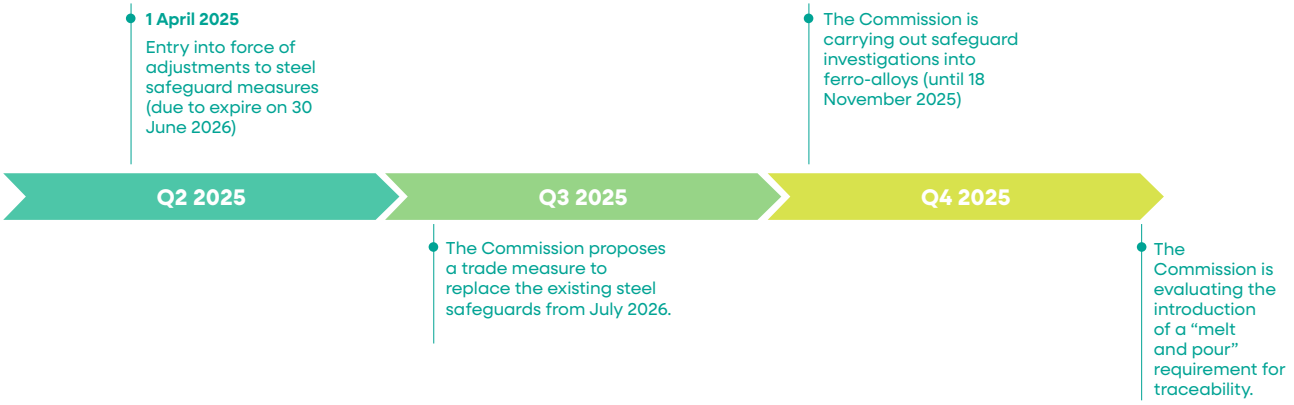


Figure 9. Actions to promote the circularity of metals in the European Steel and Metals Action Plan.

These measures will have a strong impact on the industrial sector in the Basque Country, where metals represent 14% of industrial companies with more than 19 employees. If metal-intensive sectors, such as automotive, construction or electrical and electronic machinery are included, this figure rises to almost 59 % of the total. According to data from Ihobe, metal is the second most consumed material in the Basque Country, with 10.1 million tonnes per year, made up mainly of steel and iron, and smaller proportions of aluminium (3%) and copper (2%).

In this context, the European Steel and Metals Action Plan could represent a significant opportunity for **Basque companies to access new sources of funding** aimed at industrial transformation and the development of low-carbon products with recycled content. However, the process also entails relevant risks, including high energy costs, intense international competition, the possibility that investments are not profitable without public support, scarcity or rising prices of raw materials, such as scrap metal and limited demand for sustainable products. Furthermore, companies will have to adapt to new product-related requirements, such as environmental information declarations, calculation of associated emissions and traceability of the origin of materials.

On the other hand, it should not be forgotten that the direction of the metals sector has an important bearing on the EU's environmental and decarbonisation objectives. The metals industry accounted for 8.1% of total EU greenhouse gas emissions in 2022, and is the source of other major air pollutants. In the case of the Basque Country, metals and minerals are also of strategic importance, both in terms of their weight in the industrial structure and their contribution to regional emissions. Figure 10 shows the importance of these materials in the Basque economy, measured both in terms of weight and their contribution to greenhouse gas emissions.

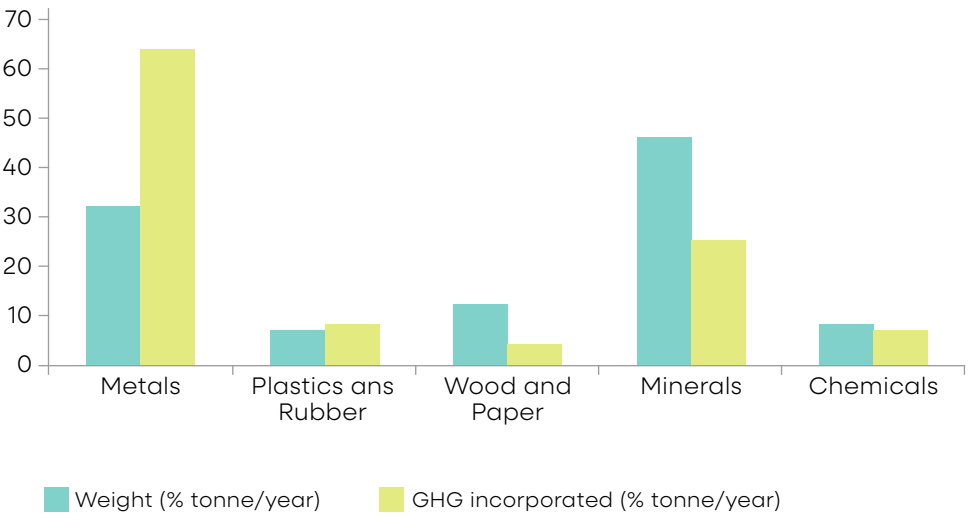
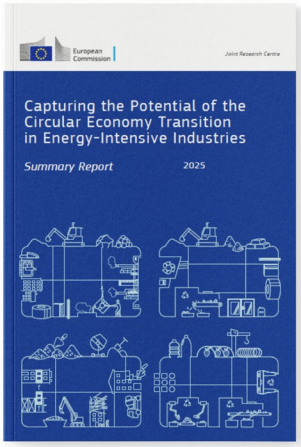


Figure 10. Relevance of materials in the Basque economy (by weight and GHG incorporated). Source: Ihobe.

The **"Capturing the Potential of the Circular Economy Transition in the EU Steel Industry" Report**, prepared by the European Commission's Joint Research Centre (JRC), analyses the opportunities of the transition to a circular economy for the European steel sector, identifying the factors that may accelerate its decarbonisation and improve its global competitiveness. This report is part of the *"Capturing the Potential of the Circular Economy Transition in Energy-Intensive Industries"* series prepared by the JRC, which shows the potential of reducing GHG emissions and imports as a result of implementing circular economy strategies in key sectors, such as steel, aluminium, cement, concrete and plastics, which account for 44% of GHG emissions from the manufacturing industry.



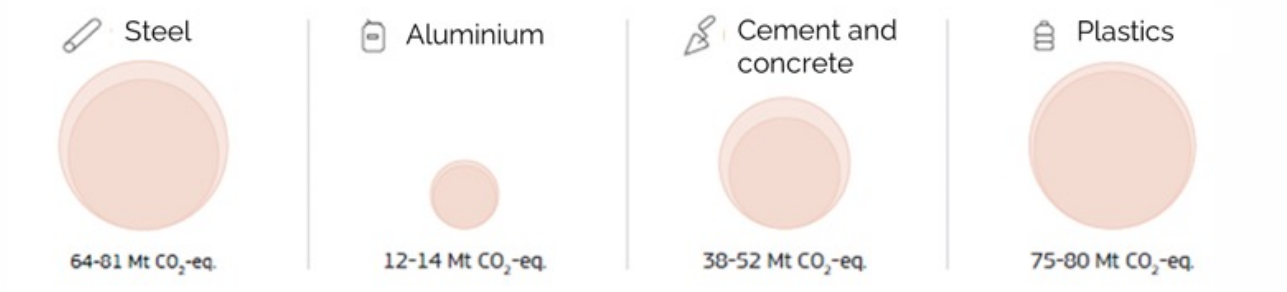


Figure 11. Reductions in annual emissions by 2050 in an ambitious circular economy scenario by sector. Source: JRC.

From a life cycle perspective, this report justifies and quantifies the three measures that most contribute to the circular transition in the steel value chain:

1. **Mass reduction** in buildings, vehicles and packaging by design and increase in the intensity of use of infrastructures.
2. **Improved scrap management** from collection in order to improve the quality of recycling.
3. **Extended useful life** of buildings, industrial equipment, vehicles and trucks.

6.2. Critical Raw Materials

The drastic reduction in Chinese exports of critical raw materials has had a direct impact on other key sectors of the European economy, such as electronics, renewable energy, automotive or advanced technology. The EU's high dependence on China, especially on rare earth elements (90%), has started to cause tensions in European industry.

In response, the EC presented the *RESourceEU initiative* in October 2025, which was adopted by the EC on 3 December 2025. This initiative aims to strengthen the EU's resilience in the supply of critical and strategic raw materials. To this end, the initiative, inspired by the REPowerEU initiative, envisages joint purchasing mechanisms, the creation of strategic reserves, investment support and development of production and processing projects within the EU. Furthermore, as underlined in the *Resolution on China's restrictions on the export of critical raw materials*, it is necessary to accelerate the implementation of **(B) Regulation (EU) 2024/1252 to ensure a secure and sustainable supply of critical raw materials**, and coordination by the European Critical Raw Materials Board. In 2025, the Commission and Member States started to implement the main actions set out in the Regulation:

- The European Commission, along with the Member States and the European Raw Materials Alliance (ERMA), is moving towards the setting up of the European Critical Raw Materials Centre. This body, which will start operating in 2026, will centralise market intelligence, manage joint purchases and coordinate the strategic storage of materials.
- In September 2025, a ***second call*** **for strategic projects** was launched with a deadline of 15 January 2026. The selected projects will be eligible for recognition as "Strategic Projects under the CRMA", which will give them priority funding, accelerated permits and access to instruments from the InvestEU programme.
- **Methodological guidelines to enable large companies to conduct risk assessments in their critical raw material supply chains** are being revised. These guidelines will be published ahead of the first round of mandatory corporate reporting, scheduled for 2026.

REGULATORY DRIVER

B

Industrial cooperation to address supply risks of critical raw materials

The creation of joint purchasing mechanisms and strategic reserves of raw materials is a key response to strengthen European resilience to supply risks. This initiative, driven by the EC, Member States and ERMA, seeks to **pool European demand, increase bargaining power and ensure a stable and sustainable supply of essential materials for industry.** This mechanism will be integrated into the *EU Energy and Raw Materials Platform*, reducing vulnerability to price volatility and ensuring competitive access to strategic raw materials.

In 2025, the European Commission started work on the development of the demand aggregation and joint purchasing platform, which will be the first step towards the creation of the **EU Critical Raw Materials Centre**, scheduled for 2026. This centre will coordinate purchases, monitor supply chains and manage strategic reserves, promoting cross-sectoral coordination between Member States and industry. The system will initially focus on 14 raw materials that are particularly strategic and vulnerable to supply risks.

In order to define the structure of this system, the European Commission launched an initial consultation process between April and May 2025, aimed at interested companies, followed by a *public consultation* from September to November 2025, in order to identify potential collaboration models compatible with the competition policy, which would strengthen the security of supply and improve the efficiency of value chains without distorting the market. The Commission proposes to not only examine joint purchasing formulas, but also the exchange of technical information, logistical cooperation and recycling agreements.

On the other hand, the future **(C) Advanced Materials Act** is expected to be one of the key initiatives to strengthen the European Union's technological leadership, strategic autonomy and industrial competitiveness. This regulation will establish a strategic framework to support the development of advanced materials that are essential for sectors such as electronics, sustainable mobility, renewable energy or health, helping to reduce dependence on critical resources and boost EU competitiveness.

C

Advanced Materials Act

REGULATORY DRIVER

The aim of this regulation is to drive the entire life cycle of advanced materials, from research and design to manufacturing and commercial deployment. It also seeks **to expand production capacity in the EU, streamline regulatory processes** and foster a more sustainable and circular economy, ensuring that the development of these materials is aligned with European climate and industrial resilience objectives.

Among the proposed strategies, the **substitution of critical raw materials with advanced materials** and driving the reuse, remanufacturing, repurposing and recycling of advanced materials by supporting mature technologies for a circular economy (e.g. disassembly, dismantling, sorting) and providing incentives to industry can be highlighted.

As part of its preparation, the European Commission opened a *public consultation period* between 21 October 2025 and 13 January 2026 to collect input on the content of the regulation. According to the Commission's Work Programme 2026, the formal proposal for the Advanced Materials Act is scheduled for the fourth quarter of 2026.

6.3. New Waste Management Requirements

Data from the latest *Circularity Gap Report* reveal that the global circularity index continues to fall, with the share of secondary raw materials declining from 7.2% to 6.9% in 2025. Despite a slow increase in recycling, the use of virgin materials continues to outpace this progress. The report points out that if all non-recycled waste were recovered, the circularity rate could increase up to 25%.

In Europe, according to data from the *European Environment Agency (EEA)*, recycled materials in the EU have increased by 1.1% since 2010. Although the circular material use rate in Europe continues following an upward trend (reaching 11.8% in 2023), this progress remains slow, indicating that it is still far from meeting the target of doubling the use of secondary materials by 2030.

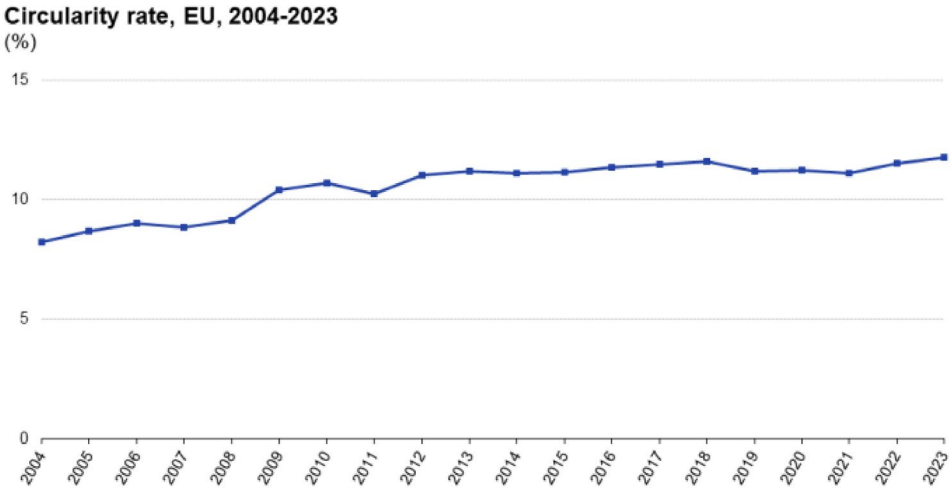


Figure 12. Circular material use rate in the EU from 2004 to 2023. Source: Eurostat

Ihobe's analysis of five major material flows in the Basque Country shows that the metals sector has the highest circular material use rate, followed by the wood and paper sector.

TOOL

Material flow analysis in the Basque Country

Ihobe has developed an analysis of material flows in the Basque Country, using 2021 as the reference year for the data presented. This methodologically innovative analysis **allows for informed decision-making in the circular economy** thanks to a solid quantitative basis for the estimation of key circular economy indicators.

The materials included in the study were selected according to: the volumes of material they represent in the Basque economy, their inclusion in the Ecodesign for Sustainable Products Regulation (ESPR), the presence of industrial companies in the Basque Country devoted to these materials and regulated by

the Industrial Emissions Directive (IED) for emissions and discharges, materials subject to the Carbon Border Adjustment Mechanism (CBAM) and/or the Critical Raw Materials Regulation (CRMA).

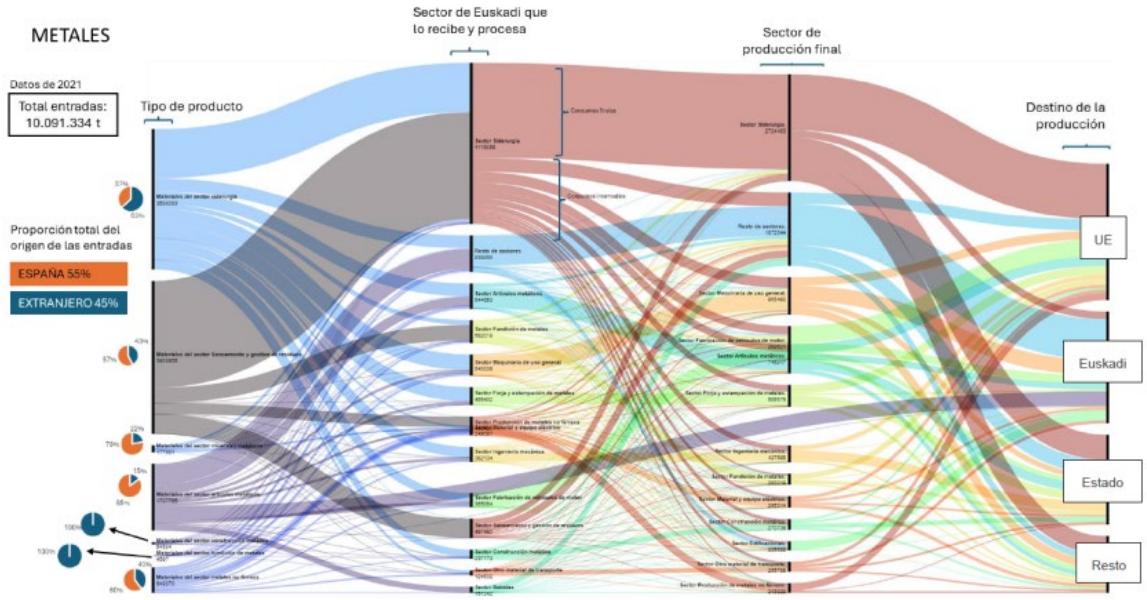
The **large flows studied** (and the materials included) are:

- **Metals:** steel, aluminium, copper.
- **Plastics and rubber:** thermoplastics, rubbers, resins and composites.
- **Wood and paper:** wood, paper.
- **Chemical:** basic chemistry, formulation.
- **Mineral:** aggregates, cement, glass, silica.

In all cases, flows and data have been established for all materials, including both business and household consumption. The flows have taken into account the Basque Country's inflows and outflows, as well as internal transport between the different user sectors, which is particularly relevant way due to its detail compared to previous studies.

The study includes the calculation of the **circular material use rate** of these flows. However, it has not been calculated using the European definition of circular material use rate, which measures the share of secondary raw materials in total material consumption. Instead, Ihobe has established its own definition, which is **better suited to the reality of small-scale economies such as the Basque economy**, which includes the quantities of waste materials used in the economic sector under study compared to the total consumption of materials, including full domestic extraction, internal waste collected from the Basque Government's statistics and results, and waste imports estimated in the Flow Diagrams.

The results show that **the metals sector has the highest circular material use rate (57.1%)**, followed by wood and paper (32.1%). This circular material use rate indicates the dependence of the different sectors on virgin material. The total lack of circularity in the automotive and mobility sectors, as well as in electrical and electronic equipment and machinery, is partly due to the fact that many companies in these sectors are often included in the metals or plastics sectors.



In response to this global need to increase the circularity of raw materials, the European Commission is developing the **(D) Circular Economy Act**. The *public consultation* of the future legislative act began in August 2025, whereby it is scheduled to be adopted in the last quarter of 2026.

It is one of the most relevant legislative initiatives of the Clean Industrial Deal in order to achieve the objective of doubling the share of recycled material in the EU economy and leading the circular economy by 2030.

REGULATORY DRIVER

D

The future Circular Economy Act: a key element in Europe's industrial transition

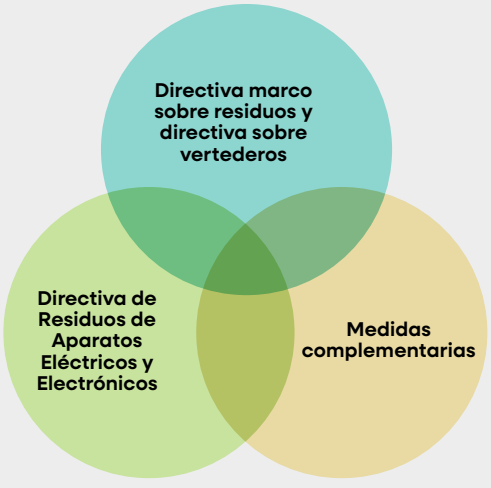
Based on the European Circular Economy Action Plan, the purpose of the Circular Economy Act is to establish a **common framework for waste management and a single market for secondary raw materials.** It aims to improve resource efficiency, reduce dependence on virgin raw materials by favouring the supply of quality recycled materials and strengthen industrial resilience by regulating waste and secondary raw material flows and circular investment.

This is underpinned by a combination of interventions to **boost the single market for waste, secondary raw materials and their use in products** in three main areas:

- Updated end-of-waste and by-product criteria.
- EPR harmonisation and digitalisation.
- Public procurement criteria for EU circularity.
- Definition of recycled content in selected products.
- Improved collection and use of bio-waste.
- Improved selective collection and reduction of landfill.

- Activation of demand for critical secondary raw materials.
- Extension of the scope to equipment for the ecological and digital transition.
- Harmonisation of EPR schemes and treatment standards.

- New industrial policy measures for circularity.
- Specific updates to the Waste List.
- Harmonisation of environmental taxes.
- Harmonisation of waste management and recovery of critical raw materials.
- Improved scrap circularity.



Cross-cutting measures for simplification, digitalisation and reduction of administrative burden

Its entry into force will also lead to a simplification of the regulatory framework and greater harmonisation of circular economy policies between Member States, including the review of certain existing directives to reduce the current regulatory fragmentation.

According to European Commission data, **waste electrical and electronic equipment (WEEE)** is the fastest growing waste stream in the EU, with an annual increase of around 2%, of which **less than 40% is recycled**. To reverse this trend, **(E) *Directive (EU) 2024/884* amending Directive 2012/19 on waste electrical and electronic equipment** was adopted. In July 2025, an *evaluation* of this Directive was presented, in which it was proposed, among others, to redefine the scope of the Directive to include "green" and digital appliances, as well as to include mandatory standards for the treatment of WEEE to ensure more effective waste management in the EU.

In order to transpose the Directive at a national level, a **(F) Draft amendment to the Royal Decree on waste electrical and electronic equipment** was drawn up and submitted to *public consultation* between 18 September and 21 October 2025. However, the deadline of 9 October 2025 for national transposition has already passed.

With the same objective of encouraging the use of secondary raw materials, **(G) Delegated Regulation (EU) 2025/606 on new rules to boost the recycling efficiency and recovery of materials from waste batteries**, which entered into force on 24 July 2025, develops Regulation (EU) 2023/1542 concerning batteries and waste batteries. From 2026 onwards, **companies carrying out battery recycling** will have to calculate and report annual recycling efficiency based on the chemical composition of each type and the materials recovered from waste batteries and cells in line with the methods set out in the regulation.

The European Commission is also strengthening the management of other waste streams that have so far not been the focus of regulatory efforts, such as textiles and food waste. The aim is to improve prevention and achieve greater circularity of these materials, reducing the waste that ends up in landfill.

To this end, ***(H) Directive (EU) 2025/1982*** **amending Directive 2008/98/EC on waste**, has been adopted, revising EU rules on waste in the **textile and food sectors**. This update introduces new obligations for Member States, such as a ban on the destruction of unsold clothing and footwear and the setting of targets for the reduction of food waste, as well as reinforcing extended producer responsibility in the textile sector to boost re-use and recycling. The directive entered into force on 16 October 2025, and Member States will have 20 months to transpose it into national law.

H

New obligations for the circularity of textile products and the food industry

REGULATORY DRIVER

Directive (EU) 2025/1982 introduces new obligations to boost waste prevention and circularity in waste management in the European Union, focusing on the textile sector and the food industry.

On the one hand, as regards the **textile and footwear sector,** all producers will have to adopt a system of **Extended Producer Responsibility (EPR)** whereby they will have to finance the costs of collection, sorting and recycling of end-of-life products. Member States must implement this obligation by 16 April 2028. Micro-enterprises will have an additional year to comply with this obligation in order to facilitate their adaptation to this obligation. **The destruction of unsold products must also be avoided**, whereby they should be destined for re-use, donation or recycling. These obligations will cover products such as clothing and accessories, hats, footwear, blankets, bed and kitchen linen and curtains.

The Directive leaves it up to EU Member States to decide on some aspects, such as the inclusion of EPR for mattress producers and the extent of the financial contribution to be made by fast fashion products to EPR schemes.

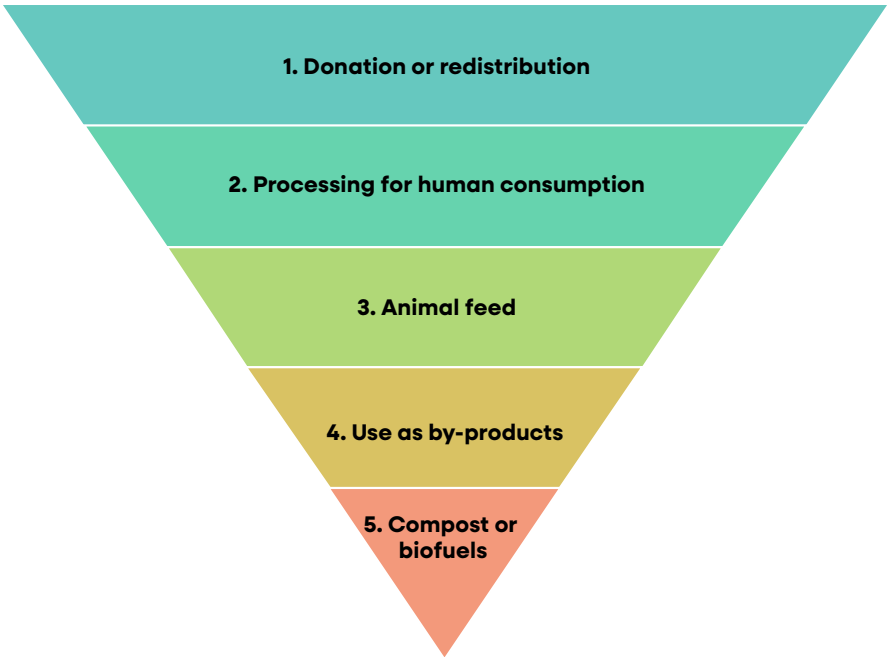
On the other hand, **binding food waste reduction targets** are to be met at a national level by 31 December 2030: 10% from the processing phase and 30% from households and catering, with reference to the average annual waste generated between 2021 and 2023. The Commission shall develop delegated acts to establish a common methodology and minimum quality requirements for the uniform measurement of levels of food waste.

In line with the objectives of the Directive, ***(I) Law 1/2025, of 1 April, on the prevention of food loss and waste*** has been adopted at a national level to ensure that food products retain their value for as long as possible by promoting the redistribution, transformation and circular use of surplus before disposal.

REGULATORY DRIVER

Use prior to disposal: the food waste hierarchy

***Law 1/2025* on the prevention of food loss and waste** establishes a hierarchy **of priorities for food use to ensure optimal use of products.**



In order to ensure this use, the Law requires all operators in the **food chain to have a food loss and waste prevention plan as of 2 April 2026**, setting out how it will implement the mandatory hierarchy of priorities, the plan's critical points, measures to avoid them and control mechanisms.

The Law also stipulates that they should **adopt agreements with social entities** to donate their surplus food.

Exemptions are also set out to make it easier for small enterprises and establishments to comply with the obligations. Specifically:

- **Micro-enterprises** and small agricultural holdings will not be obliged to apply the hierarchy, draw up a prevention plan or sign donation agreements.
- **Establishments of less than 1,300 m²** will be excluded from the obligation to have a prevention plan and to have donation agreements in place. However, operators whose total establishments exceeds 1,300 m² must comply with the law.

In line with Directive (EU) 2025/1982, **Draft Royal Decree on textile products and footwear and their waste management**, published in June 2025, was submitted to public consultation. Both instruments share the aim to prevent waste generation, promote re-use and increase recycling. The Spanish draft specifies the national implementation of the Directive, setting **quantitative targets for separate collection** (50% by 2030 and 70% by 2035) and for **preparation for re-use** (20% and 35%, respectively). The Royal Decree also further develops the operational and financial mechanisms and the involvement of the social economy as a key actor in collection and sorting.

It also addresses the **modulation of the financial contribution** of producers in accordance with factors such as quantity, ecodesign requirements under Regulation (EU) 2024/1781 (ESPR), treatment in line with the waste hierarchy and business practices that contribute to fast fashion.

At a national level, there are currently two Collective Extended Product Responsibility Schemes (EPRS) for textiles and footwear: *RE-VISTE* and *GERESCAL*, as well as associations of social economy entities, such as *AERESS* and *ASIRTEX*.

MARKET DRIVER

RE_FASHION lays the foundations for textile eco-modulation in France

Re_Fashion, a collective system of extended producer responsibility (EPRS) in the textile sector in France and a pioneer in Europe, manages the prevention and end-of-life of textiles, household linen and footwear sold in the country. It has also been a **pioneer in the application of the eco-modulation of fees**, adjusting producers' contributions according to the environmental performance of their products. Since 1 January 2025, eco-modulations have been established in accordance with the following criteria:

Bonus for durability	Based on different *methodologies* and product-specific standards carried out in ISO 17025 accredited laboratories.
Bonus for obtaining certain environmental certifications	Certified end products: Ecocert® Ecological & Recycled Textiles Standard (ERTS)-Level 2, Oeko-tex® Made in Green, Bluesign®, Fairtrade® Textile, European Ecolabel, Demeter®, GOTS, Bioré®
Bonus for the incorporation of recycled raw materials	Raw materials from waste collected or financed by Re_Fashion, or another eco-organisation approved by the French public authorities, and if the recycled material from such waste has been produced in accordance with local proximity criteria and at defined facilities.
Penalties related to the recyclability of textiles and footwear	Penalties for dangers in the recycling chain due to the presence of certain components, such as metal-plastic fibres or electrical or electronic components (EEE), except those whose function is to inform about traceability and/or product composition and which do not contain batteries or accumulators.

In the same way as other priority waste streams, the European Union is continuing to move forward to improve the management of construction and demolition waste (CDW). In this context, the *EU Construction & Demolition Waste (CDW) Management Protocol* was presented in 2024, establishing a technical and practical framework to enhance the recovery of CDW. Although it **has no binding regulatory status**, it is aligned with the Waste Framework Directive and supports Member States in the implementation of circular management for CDW.

Course on secondary materials in construction

In 2025, Ihobe developed a **self-guided on-line course on the use of secondary raw materials in the construction sector,** with the aim of facilitating compliance with the requirements of the Basque Environmental Management Law. It is a 12-hour training course aimed at the different actors in the construction chain: ranging from prescribers to contractors. Among other sources, the course is based on two previous Ihobe publications: *Guide to Compliance with the Basque Environmental Administration Law Article 84.3*, published in 2023; and the *Guide for the Use of Recycled Materials in Construction*, published in 2018.

The syllabus includes an introduction to the factors that favour the introduction of secondary materials on construction sites, a technical module on the conditions and features for the use of recycled aggregates and for the re-use of materials on construction sites, a series of success stories and examples of applications, and a module on innovation in the use of secondary materials. The course also includes solved case studies for diverse construction categories (residential building, industrial/services, civil engineering).

Among the guides to optimise material recovery, the ***Excavated soil generation, treatment and re-use in the EU*** ***Report*** stands out, identifying good practices for the more sustainable management of excavated soils in different Member States. These include planning in advance by means of soil quality studies, the drawing up of specific management plans and expert supervision during excavation to ensure the proper separation of contaminated materials. It also underlines the importance of storing different types of soils separately to facilitate their re-use, encouraging recovery and recycling as opposed to dumping, and promoting tools, such as soil passports or materials management plans that document the excavation and re-use process, ensuring traceability, transparency and circularity in construction.

As regards the legal framework regulating the **cross-border shipment of waste**, the main legislative text is **Regulation 2024/1157 on shipments of waste**. With the intention of complementing the green list set out in the Regulation, the European Commission has submitted to *public consultation (J)* an initiative to develop a delegated act to incorporate certain waste in the green list, thus facilitating its shipment between Member States for recovery purposes. Furthermore, the proposal provides for the establishment of pollution thresholds to enable other types of waste that can be recovered to be included in this list.

This regulatory framework is complemented by ***(J) Implementing Regulation 2025/1290*** **on the requirements for the interoperability of systems for the electronic submission and exchange of information and documents related to shipments of waste.** It aims to establish an integrated Europe-wide system to manage all documentation electronically and ensure interoperability between the different information systems. **Member States and operators must be ready for the mandatory use of the system by May 2026.**

Finally, at a national level, the ***Draft Order*** **establishing the list of waste not admissible in landfills** and the ***Draft Order*** **establishing when certain substances and objects are considered by-products,** submitted to public consultation in 2023 and 2024, respectively, are still ongoing. The development of both initiatives seems to be on hold, awaiting the future adoption of the European Circular Economy Act scheduled for the end of 2026, in order to avoid duplication and ensure alignment with the new European framework.

6.4. Packaging and Plastics

Data from *Eurostat* indicate the high volume of packaging waste still generated in the EU and the need to improve recovery and recycling rates, also bearing in mind that this stream consumes a significant share of primary resources. 83.4 million tonnes of packaging waste were generated in 2022, distributed as follows: 41% paper and cardboard, 19% plastic, 19% glass, 16% wood and 5% metal. The average recycling rate for packaging was around 65%, although it did not reach 50% for plastic packaging.

Both nationally, with an average packaging recycling rate of 69% according to the *EEA*, and in the Basque Country, where the average is 87.1% according to data from *Eustat*, packaging recycling and recovery rates exceed the European average. However, plastics continue to be the material with the greatest difference between recovery and recycling, with a gap of almost 14 percentage points. Although most plastic packaging waste is recovered, only a fraction is recycled, which limits its return to the production cycle and reduces its real contribution to the circular economy.

Table 1. Packaging waste recycling and recovery rates by type of material in the Basque Country for 2022 (%). Source: Compiled by the author based on Eustat data

Rates	Recycling rate	Recovery rate
Paper and cardboard	98 %	99 %
Wood	97.3 %	98.2 %
Glass	69.9 %	69.9 %
Plastics	83.7 %	97.6 %
Metals	76.5%	76.5%
Others	97%	97.1 %

Overall, the steady increase in the consumption of packaging, coupled with low levels of re-use and limited recycling efficiency are still key barriers to moving towards a truly circular economy in Europe.

In this context, **(K) *Regulation (EU) 2025/40* on packaging and packaging waste** aims to address the packaging issue, taking into account its entire life cycle. This Regulation will be directly applicable as of 12 August 2026 and will repeal Directive (EU) 2019/852 on packaging and packaging waste. The objectives of this regulation are **to promote better packaging design** to facilitate re-use and recycling, **increase the recycled content and reduce excess packaging** and minimise packaging waste. The main requirements include:

- **Prevention and ecodesign:** the weight and volume of packaging should be minimised and superfluous elements, such as double walls or unnecessary layers should be eliminated. Empty spaces in grouped and e-commerce packaging are limited to a maximum of 40 %.
- **Restricted substances:** the use of heavy metals (lead, cadmium, mercury and chromium VI) in excess of 100 mg/kg is prohibited. Strict limits are also set for PFAS in food packaging.
- **Market restrictions:** a number of single-use packaging formats are banned in the retail and HORECA sectors, including packaging to group products, individual portion sachets and very thin bags. From 2030, single-use packaging may not be used for on-site consumption in HORECA establishments.
- **Mandatory recyclability:** from 2030, all packaging must be recyclable, based on a performance scale from grade A to E (See Table 3). Those scoring less than 70 % shall not be considered recyclable.
- **Extended Producer Responsibility (EPR):** it will be mandatory to belong to an EPR scheme, for which the tariffs will be eco-modulated

according to the recyclability and recycled content grade. Registration of producers will be compulsory at a Community level.

- **Deposit and Return System (DRS):** as of 1 January 2029, a deposit and return system will be mandatory for single-use plastic and metal beverage bottles of up to 3 litres, except those countries which achieved collection in excess of 90 % by 2026.
- **Compostable packaging:** certain formats such as single-serve tea or coffee bags, fruit stickers and very thin bags will be mandatory in a compostable version within 24 months of entry into force.
- **Harmonised labelling system:** one and a half years after the entry into force of the regulation, a harmonised EU labelling guide will be published to facilitate the sorting and recycling of packaging across the EU.

K

Regulation (EU) 2025/40: Towards reusable and recyclable packaging

REGULATORY DRIVER

The new Regulation (EU) 2025/40 will encourage companies to adapt their products and management systems to align with the European objectives of prevention, re-use, recyclability, traceability and circular economy. One of the main levers for change will be to improve the reusability and recyclability of packaging. In this respect, the regulation will extend the re-use and refill targets for packaging.

Table 2. Re-use and refill targets (%)

Type of packaging	2030	2040
Alcoholic and non-alcoholic beverages*	10 %	40 %
Tertiary packaging	40 %	70 %
Grouped packaging	10 %	25 %
In transport packaging between sites of the same operator and within the country	100 %	-

** Except wine, perishable beverages, milk and dairy products, etc.*

Stricter standards in terms of recyclability will also be established. From 2030 onwards, all packaging will have to be recyclable, whereby its performance will be assessed on a scale of grades from A to E. Packaging with a score of less than 70% will not be considered recyclable. This grading of recyclability will also be integrated into the mechanisms for eco-modulation of fees.

Table 3. Recyclability Performance Grade

Recyclability Performance Grade	A	B	C	D	E
Assessment of recyclability per unit, in terms of weighting	95 %	90 %	80 %	70 %	< 70%

While this new framework poses significant challenges for the sector, it also opens up opportunities to boost innovation in sustainable packaging, improve the traceability of materials and strengthen circularity in key sectors of Europe's industrial sector. However, for this transformation to be effective, it must go hand in hand with the development of a competitive market for secondary raw materials, capable of ensuring a stable and affordable supply of recycled material.

Only in this way will it be possible to maintain the viability of recycling plants, reduce the cost gap compared to virgin material and meet the ambitious recycling and re-use targets set out in the re-gulation.

In line with the new European packaging collection obligations, the new ***Spanish Deposit and Return Systems Association*** was launched in July 2025 with the intention of creating a new DRS through the collaboration of associations in the food and beverage packaging sector, such as AECOC, ANEABE, ANFABRA, ANGED, ASEDAS, Cerveceros de España, FIAB and Zumos y Gazpachos de España. This DRS aims to reach actual recovery levels **(90 % of single-use beverage packaging)** taking into account the peculiarities of the sector at a national level, as the association's representatives point out that it is not feasible to import foreign models directly.

Royal Decree 1055/2022 of 27 December on packaging and packaging waste, which transposed Directive (EU) 2019/852, has fallen out of line with the European regulatory framework following the adoption of the new regulation. For this reason, MITECO has seen the need to adapt this Royal Decree to the new requirements of the European regulation and has submitted the possibility of adapting the current Royal Decree or repealing it and presenting a new one to *public consultation*. In parallel, updated interpretative notes on the application of the Royal Decree are being published, such as the one issued in October on the status of waste and the re-use systems set out in Article 46 of Royal Decree 1055/2022.

Although the Regulation prevails, some of its precepts have not yet been applied, and therefore, until it is adapted, those aspects whose application period is after the Regulation will continue to be governed by the Royal Decree.

The need to improve the guarantees offered by recycled plastics, especially in the food sector, has led the European Commission to issue **(L) Mandate M/584** to CEN and CENELEC. This mandate, which contributes to the European Strategy for Plastics in a Circular Economy, aims to develop and review European standards related to the safe and efficient use of recycled plastics in products and industrial processes. Between 2024 and 2025, ten standards have been completed, laying out guidelines for the design and recycling of plastic products, as well as procedures and criteria for assessing their recyclability.

L

Standards for recycling plastics

REGULATORY DRIVER

Seven CEN Technical Committees (TC) and two CENELEC Technical Committees (TC) are working on standards and norms in response to the request for standardisation on plastics recycling and recycled plastics (M/584), whereby *CEN/TC 249 "Plastics"* will review and develop most of them.

The standards currently being developed and their status is as follows:

Standard	Title	Status
FprEN 18120-X	European Standard on the recyclability evaluation process and criteria for plastic packaging (PET, EPS, PS, XPS, rigid PET, rigid PE and PP, flexible PE and PP).	Draft
FprEN 18120-1	European Standard on definitions and principles for design-for-recycling of plastic packaging.	Draft
FprEN 18120-X y oSIST prEN 18120-X	European standardisation deliverables on design for recycling guidelines (EPS, PS and rigid XPS packaging, PET bottles and others, flexible PE and PP, rigid PE and PP).	Draft
EN 18066:2025 (WI=00249A5Q)	European standardisation deliverables on design for recycling of PVC based profiles for construction products.	Published
EN 18065:2025 (WI=00249A5E)	European standardisation deliverables on quality grades for sorted plastic waste.	Published
EN 18067:2025 (WI=00249A5W)	European standard on the characterisation of acrylonitrile-butadiene-styrene (ABS) recyclates.	Published
EN 18064-:2025 (WI=00249A3X)	European standardisation deliverables on the quality assessment of recyclates for use in products, covering recycled plastics such as HDPE, LDPE, PP, PET, PVC, PS, EPS, ABS.	Published
EN 15347-1:2024 (WI=00249A44)	EN 15343:2007 - Characterisation of plastic waste.	Revised
EN15342:2025 (WI=00249A5X)	EN 15343:2007 - Characterisation of polystyrene (PS) recyclates.	Revised
EN 15344:2025 (WI=00249A5Z)	EN 15344:2021 - Characterisation of polyethylene (PE) recyclates.	Revised
EN 15345:2025 (WI=00249A60)	EN 15345:2007 - Characterisation of polypropylene (PP) recyclates.	Revised
EN 15346:2024 (WI=00249A45)	EN 15346:2014 - Characterisation of polyvinyl chloride (PVC) recyclates.	Revised
EN 15348:2024 (WI=00249A42)1	EN 15348:2014 - Characterisation of polyethylene terephthalate (PET) recyclates.	Revised
EN 13206:2025 (WI=00249A5O)	EN 13206:2017 - Thermoplastic covering films for use in agriculture and horticulture.	Revised
EN 13207:2025 (WI=00249A5P)	EN 13207:2018 - Thermoplastic silage films and tubes for use in agriculture.	Revised
EN 17098-1:2025 (WI=00249A5N)	EN 17098-1:2018 - Barrier films for agricultural and horticultural soil disinfection by fumigation - Part 1: Specifications for barrier films.	Revised
EN 14932:2025 (WI=00249A5M)	EN 14932:2018 - Thermoplastic stretch films for wrapping silage bales.	Revised
EN 13655:2025 (WI=00249A5L)	EN 13655:2018 - Thermoplastic mulch films recoverable after use, for use in agriculture and horticulture.	Revised

In line with the reduction of the environmental impact of plastics, **(M) Regulation (EU) 2025/351 amending various regulations on plastic and recycled plastic materials intended to come into contact with food** was approved in February 2025. The main new features include the requirement to ensure a "high degree of purity" for all substances used, including those originating from waste, and the clarification of the use of reprocessed materials, which may only be incorporated if they fulfil strict conditions in terms of safety, traceability and documentation.

6.5. Vehicles and Tyres

On 13 July 2023, the European Commission presented a **(N) proposal for a regulation on circularity requirements for vehicle design and the management of end-of-life vehicles.** The EU Council adopted its position on this issue on 17 June 2025, extending the scope to new categories of vehicles and increasing mechanisms to combat illegal exports and the abandonment of waste. On the other hand, in September 2025, the European Parliament defined its position, paving the way for the inter-institutional negotiation phase (trilogues). Finally, **on 12 December 2025, the Council and the Parliament reached an agreement, approving the final text of the regulation** for **entry into force in early 2026.**

N

New circularity and end-of-life requirements for vehicles

REGULATORY DRIVER

In December 2025, the ***European Parliament and Council reached a text agreement on the proposal for a Regulation on circularity requirements for vehicle design and the management of end-of-life vehicles (ELVs)***. Following formal adoption and publication in the Official Journal of the European Union, this text will enter into force in early 2026.

On the one hand, **the scope is extended**, no longer being limited to cars and vans, but also including heavy-duty trucks, two- or three-wheeled bikes, quadricycles and certain special purpose vehicles, such as mobile cranes, ambulances or fire trucks. Manufacturers of large special vehicles produced in small volumes will be exempted.

As for **recycled content,** mandatory targets are set for the use of post-consumer recycled plastic in new vehicles, which will be **phased in**, requiring at least 20% of the recycled plastic to come from closed loop recycling recovered from ELVs:

→ **6 years** after the entry into force of the regulation: **15 %** of recycled plastic
→ **10 years** after the entry into force of the regulation: **25 %** of recycled plastic

However, the European Commission may grant **temporary exemptions** from these targets in the event of **shortages of recycled plastic** or if the prices of recycled material becomes excessive.

Based on a feasibility study to be carried out one year after the entry into force of the regulation, **minimum recycled content targets for other materials**, such as steel, aluminium, magnesium or critical raw materials may also be established.

The **principle of extended producer responsibility (EPR) is significantly strengthened,** making producers financially and organisationally responsible for the entire life cycle of their vehicles. This responsibility includes **promoting design for circularity,** as well as ensuring free take-back and proper treatment of all end-of-life vehicles. To ensure that the system functions properly across the EU single market, the Regulation establishes a **cross-border EPR mechanism**, ensuring that producers remain financially responsible for the treatment of their vehicles regardless of the Member State in which the vehicle reaches the end of its life.

To tackle the issue of "missing vehicles" and illegal dismantling, clearer rules on the distinction between a used vehicle and an end-of-life vehicle (ELV) are introduced, establishing a **clear set of criteria to determine when a vehicle is considered an ELV** and must be treated by an authorised treatment facility and cannot be legally exported or resold as a used vehicle.

The export of used vehicles that are no longer roadworthy is also banned, applicable five years after the entry into force of the regulation.

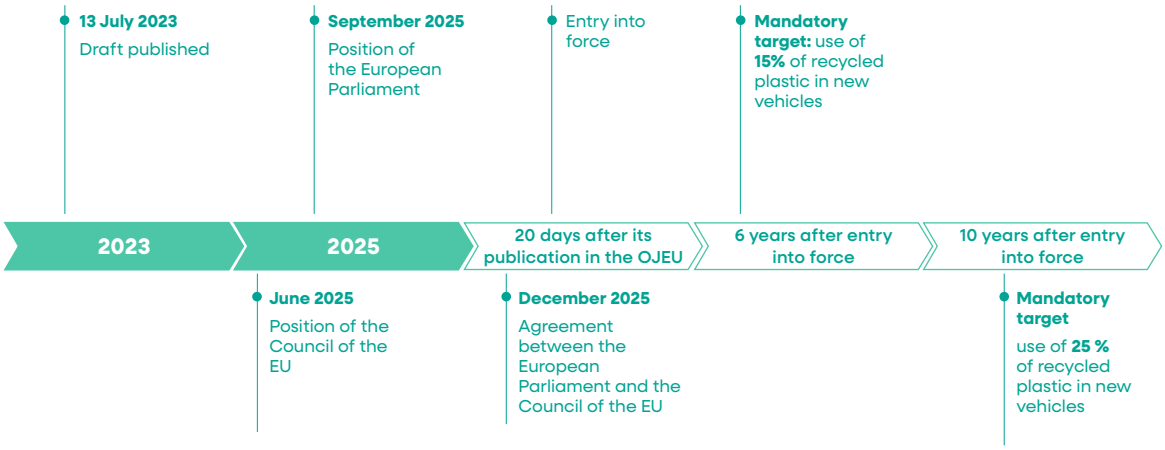


Figure 13. Timeline for the implementation of the ELV Regulation.

This regulation will have a cross-cutting impact on the entire **automotive value chain**, from the design and supply of materials and components to the management and recovery of the waste generated. Therefore, it may have **implications for more than 100 Basque companies in the automotive sector** and more than 50 Authorised Treatment Facilities (ATF), responsible for the management of ELVs. It will indirectly affect **the entire automotive value chain** (Tier 1, 2 and 3), pushed by manufacturers who will have to apply ecodesign criteria and provide detailed information on vehicle dismantling and recycling, review methodologies for assessing the recyclability of new vehicles and develop a digital passport.

The impact on the Basque business sector will be even greater if minimum recycled material content is established for metals, such as steel or aluminium (as this possibility is being considered in future delegated acts).

The drive towards a circular economy has also reached waste streams complementary to vehicles, such as end-of-life tyres. At a national level, **(Ñ) Royal Decree**

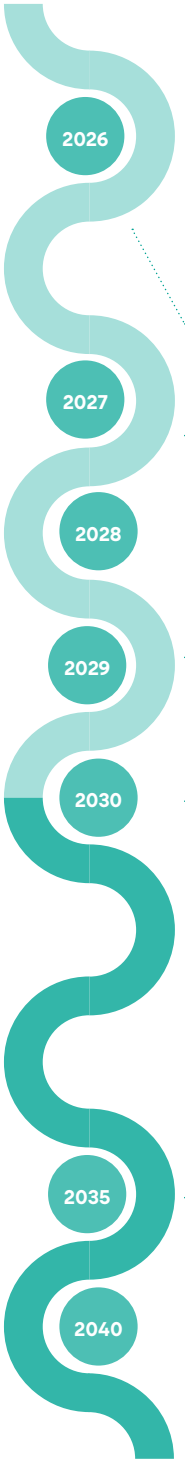
712/2025 on end-of-life tyres has been adopted, updating the national regulation by extending it to all replacement tyres, except for bicycle tyres and those excluded in Annex I. **It reinforces Extended Producer Responsibility (EPR)**, requiring the registration of manufacturers, **modulated contributions according to environmental criteria** and the drawing up of prevention plans for those exceeding 250 t/year. It also incorporates new technical requirements for storage, treatment, traceability and information, promotes the use of recycled materials in public procurement and establishes transitional adaptation periods of up to one year for EPR schemes and the companies concerned.

This Royal Decree also introduces progressive **mandatory management targets** for 2025, 2030 and 2035.

Table 4. End-of-life tyre management targets

Year	Preparation for re-use	Recycling and material recovery	Recycling of steel	Energy recovery (max.)
2025	≥ 15 %	≥ 50%	100 %	≤ 35 %
2030	≥ 15 %	≥ 59 %	100 %	≤ 26 %
2035	≥ 15 %	≥ 65 %	100 %	≤ 20 %

6.6. Timeline



Q1 2026

Destruction of unsold clothing and footwear is forbidden. (H) **European**

Q3 2026

Obligations of the Packaging Regulation which do not have a specific scheduled date start to be applied. (K) **European**

Transition period for the Regulation on **plastic materials intended to come into contact with food:** plastic materials and articles complying with the previous regulation may continue to be placed on the market until 16 September 2026. (M) **European**

Q1 2027

Single-dose coffee or tea sachets and systems, very thin plastic bags and fruit and vegetable stickers should be compostable. (K) **European**

Q2 2028

Obligation to adopt a EPR scheme for products in the textile sector (Exception: micro enterprises). (H) **European**

Q1 2029

Obligation to implement a **DRS for beverage packaging** in countries that have not achieved the separate collection targets. (K) **European**

Q4 2029

Last year in which oxygen, chlorine, sulphur, phosphorus, iron and carbon can be included in the calculation methods for the material recovery and efficiency rates of **battery recycling**. (G) **European**

Q4 2030

Meet the mandatory waste reduction targets for the food industry at a national level: 10 % in the processing stage and 30 % in households and catering. (H) **European**

Q1 2040

Binding targets for the recycled content of plastic packaging established according to the type of packaging. (H) **European**

Q2 2026

All actors in the food chain, with some exceptions, must apply the hierarchy of uses, draw up a plan for the prevention of food waste and adopt agreements with social entities for the donation of food. (I) **State**

Guide to harmonised EU packaging labelling will be published. (K) **European**

Obligation to adapt company waste prevention plans to the Royal Decree on tyres. (Ñ) **State**

Q4 2026

Planned adoption of the Circular Economy Act. (D) **European**

Q2 2027

16 June 2027 as the deadline for transposing the Waste Directive into national law. (H) **European**

Q2 2029

Obligation to adopt a EPR scheme for micro-enterprises in the textile sector. (H) **European**

T1 2030

Only carbon, phosphorus and iron shall be included in the calculation methods for material recovery and efficiency rates of battery recycling. (G) **European**

All packaging must be recyclable and binding targets are set for the recycled content of packaging. (K) **European**

Increase in end-of-life tyre management targets. (Ñ) **State**

T1 2035

Increase in end-of-life tyre management target. (Ñ) **State**

REGULATORY DRIVERS:

(D) Future Circular Economy Regulation

(G) Delegated Regulation (EU) 2025/606 on new rules to boost the recycling efficiency and recovery of materials from waste batteries

(H) Directive (EU) 2025/1982 amending Directive 2008/98/EC on waste

(I) Law 1/2025 on prevention of food loss and waste

(K) Regulation (EU) 2025/40 on Packaging and Packaging Waste

(M) Regulation (EU) 2025/351 amending various regulations on plastic and recycled plastic materials intended to come into contact with food

(Ñ) Royal Decree 712/2025 on end-of-life tyres

6.6. Implications Table

DRIVERS	LARGE COMPANIES	SMES	BASQUE ECODESIGN CENTRE VALUE CHAINS								
			Automotive	Construction	Power generation and distribution	Distribution	Metal	Lifting equipment	Transport equipment	Production of power generation & transmission equipment	Financial
(A) European Steel and Metals Action Plan	High	High	High	Medium	Medium	Low	High	Medium	Medium	Medium	Low
(C) Future Advanced Materials Act	Medium	Medium	Medium	Medium	Medium	Low	Medium	Medium	Medium	Medium	Low
(D) Future Circular Economy Regulation	High	High	High	High	High	Low	High	High	High	High	Low
(E) Review of Directive (EU) 2024/884 on waste electrical and electronic equipment	High	High	Medium	Medium	High	Low	Low	Medium	Medium	High	Low
(F) Draft amendment to the Royal Decree on waste electrical and electronic equipment	High	High	Medium	Medium	High	Low	Low	Medium	Medium	High	Low
(G) Delegated Regulation (EU) 2025/606 on new rules to boost the recycling efficiency and recovery materials from waste batteries	Medium	Medium	High		High	Low	Low	Low	Low	High	Low
(H) Directive (EU) 2025/1982 amending Directive 2008/98/EC on waste	Medium	Medium	Low	Low	Low	High	Low	Low	Low	Low	Low
(I) Law 1/2025 on the prevention of food loss and waste	Medium	Medium	Low	Low	Low	High	Low	Low	Low	Low	Low
(J) Implementing Regulation 2025/1290 on the requirements for the interoperability of systems for the electronic submission and exchange of information and documents related to shipments of waste	High	Low	Low	Low	Low	Low	High	Low	Low	Low	Low
(K) Regulation (EU) 2025/40 on packaging and packaging waste	Medium	Medium	Low	Low	Low	High	Low	Low	Low	Low	Low
(M) Regulation (EU) 2025/351 amending various regulations on plastic and recycled plastic materials intended to come into contact with food	Low	Low	Low	Low	Low	High	Low	Low	Low	Low	Low
(N) Proposal for a Regulation on circularity requirements for vehicle design and the management of end-of-life vehicles	Medium	Medium	High	Low	Low	Low	Low	Low	Low	Low	Low
(Ñ) Royal Decree 712/2025 on end-of-life tyres	Low	Low	High	Low	Low	Low	Low	Low	Low	Low	Low

Level of involvement

High · Medium · Low

07. Decarbonisation with a life cycle approach

The European Union has taken on the binding target to reach **climate neutrality by 2050** and to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels, within the framework of the **European Climate Law.** To move towards this horizon, the European Commission has proposed a **new interim target for 2040**, which sets a reduction of **90 % of net emissions** as a decisive step towards a carbon-neutral economy.

This process is articulated through the European Green Deal and the Fit for 55 package, which integrate climate action in all economic sectors, reinforced by the European Clean Industrial Deal, aimed at ensuring that the EU is an attractive place for manufacturing, including energy-intensive industries, and promoting clean technologies and new circular business models, in order to meet agreed decarbonisation targets.

In this context, decarbonisation is positioned not only as an environmental duty, but also as a driver of innovation and economic growth, capable of boosting competitiveness and transforming the industrial model towards a more sustainable one.

7.1. Carbon Footprint as an Environmental Benchmark

The carbon footprint has established itself as the benchmark for assessing the climate performance of organisations, products and services, in an increasingly demanding regulatory context in terms of decarbonisation at both a European and national level.

At the European level, frameworks such as the Corporate Sustainability Reporting Directive (CSRD) reinforce the obligation for companies to verifiably measure, manage and report their greenhouse gas emissions, aligning corporate reporting with EU climate objectives.

In the national framework, **Law 7/2021, on Climate Change and Energy Transition**, establishes that Spain must reduce its emissions by **23 % by 2030**, with respect to 1990. In line with this mandate and the objective of boosting the reduction and offsetting of emissions, **(A) Royal Decree 214/2025**, approved in March 2025, creates the **Carbon Footprint, Offsetting and Removals Registry**, integrating previous initiatives and aligning them with the European Carbon Removal Certification framework.

The registry establishes that State public sector entities must calculate and register their Scope 1 and 2 carbon footprints, incorporating Scope 3 emissions as of 2028. In the case of the private sector, **large companies** will be required to measure and report their greenhouse gas emissions as of 2026, whereby **Scopes 1 and 2 are mandatory and Scope 3 is voluntary**, and to present reduction plans reflecting the progress made against their reported emissions inventory. The Royal Decree also provides for the registration of the carbon footprint of large events, defined as those with more than 1,500 attendees.

At the regional level, there are also complementary initiatives. In the Autonomous Community of

Navarra, Foral Decree 36/2024 establishes the bases for the organisation of sustainable public events, incorporating the obligation to calculate the carbon footprint and to draw up a sustainability report that includes environmental, social and economic criteria.

In this context, carbon footprint is also being incorporated as a requirement in strategic sectors for decarbonisation, including construction, which accounts for a significant part of global greenhouse gas emissions. In the European Union, buildings account for around 36% of energy-related CO_2 emissions and around 40% of final energy consumption[1], due to energy consumption during use and the footprint of the materials used in their construction and maintenance.

In order to adapt Spanish regulations to the new European directives, particularly Directive (EU) 2024/1275 on the energy efficiency of buildings, the Ministry of Housing and Urban Agenda (MIVAU) is working on the **(B) inclusion of the carbon footprint in the Technical Building Code (CTE)**. This transposition will introduce indicators such as the Global Warming Potential (GWP) of buildings, which quantifies their climate impact over their entire life cycle. From 2026, new buildings with a useful floor area larger than 1,000 m^2 will have to calculate their GWP, extending this obligation to all new buildings by 2030.

Furthermore, the definition of **"zero-emission building"** will be incorporated. Therefore, all new public buildings must be zero-emission as of 2028, and this requirement will be extended to all new buildings in 2030.

These changes imply new challenges for architectural, engineering and construction firms, which will have to adapt their design and certification processes. Complementary sectors, such as the building materials sector, could also be affected by a decrease in demand for products with a high carbon footprint and **increased interest in low-carbon materials with certified traceability**. Consequently, greater pressure to incorporate carbon footprint calculation at product and process level is anticipated.

To address these challenges related to carbon footprint measurement, Ihobe has developed several tools and technical resources which are continuously updated to facilitate the implementation of homogeneous and rigorous methodologies aligned with international standards for Basque organisations.

[1] *Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings, (recast), (Text with EEA relevance)*

TOOL

Climate & Circularity Calculator: key tool to measure and reduce environmental impact

CLIMATE & CIRCULARITY CALCULATOR by ihobe

The Climate & Circularity Calculator (3C) is a Basque Government tool that enables any entity **to evaluate the environmental and climate impact of its products, services or organisation,** for use in ecodesign, diagnostics or the monitoring of plans and strategies. This tool is based on a continuously expanding database of characterisation factors adapted to the context of the Basque Country. Over the last year, **this tool has had improvements incorporated** to extend its scope and reliability, including:

- **Updating and extension of the database:** a comprehensive update of the existing characterisation factors was carried out in 2025 and electricity factors for 2024 were included. A *service* has been set up via the Basque Circular HUB, through which organisations in the Basque Country can request the development of additional factors free of charge, which will be incorporated into the database. In this way, the database has been expanded with more than 90 new factors.
- **Self-training:** in 2025 the Ihobe team developed and published an *open, on-line and free self-training course*, which includes an introduction to the theoretical principles on which the Climate & Circularity Calculator is based, along with interactive instructions for its use. Aimed at professionals, students and anyone interested in environmental sustainability, it offers accessible and up-to-date content to foster change through knowledge. This openness seeks to democratise knowledge on environmental metrics and makes it easier for more people to be trained in this key subject for the ecological transition.

7.2. The CBAM and the Regulated Carbon Marketo

Within the framework of the European Green Deal and the Fit for 55 legislative package, the European Union has launched new climate policy instruments aimed at strengthening industrial decarbonisation and preventing carbon leakage. The most relevant ones are the Carbon Border Adjustment Mechanism (CBAM) and the new Emissions Trading System 2 (ETS2), both of which have direct implications for the industrial and energy sectors.

Regulation (EU) 2023/956 , which regulates the CBAM, aims to ensure that products imported into the EU reflect a **carbon price equivalent** to that paid by European industries subject to the Emissions Trading System (ETS). The aim is to avoid the relocation of production to countries with lower climate requirements and to promote the adoption of more sustainable industrial practices at a global level.

During its transitional phase (2023-2025), the European Commission has implemented a digital reporting system and held a technical dialogue with business, customs and Member States to identify difficulties and potential improvements. As a result of this process, **(C) Regulation (EU) 2025/2083 (CBAM),** amending Regulation 2023/956, was published in October 2025, aimed at simplifying administrative management and improving the traceability of the certificate system.

In January 2026, the **(D) Carbon Border Adjustment Mechanism (CBAM) Methodology** will enter into force, which sets out how the **emissions embedded** in imported products (cement, iron and steel, aluminium, fertilisers, hydrogen and electricity) must be calculated, verified and reported. Deductions are also foreseen when countries of origin provide proof of an equivalent carbon price. The ultimate goal is to ensure environmental integrity and international comparability, avoiding double counting and the evasion of carbon costs.

C

Simplification and strengthening of the CBAM

REGULATORY DRIVER

The European Commission has adjusted the Carbon Border Adjustment Mechanism (CBAM) through Regulation (EU) 2025/2083 with the aim of **simplifying its application and reducing the administrative burden for companies.**

1. **Delay in the start of the financial phase**

   The obligation to purchase and deliver CBAM certificates has been postponed to February 2027 (previously scheduled for January 2026).

   In 2026, companies will still have to report their embedded emissions, but at no associated cost, as the reference prices of the certificates will be calculated on the basis of the EU ETS values for that year.

   This **gives companies an additional year** to adjust their emissions measurement, traceability and verification systems before incurring financial costs.

2. **New exemption threshold for small imports**

   An **initial mass import threshold of 50 tonnes per year** is introduced (per CBAM product type, except electricity and hydrogen), which may be updated annually by means of delegated acts on the basis of

actual import data for the previous year. On 30 April each year, the threshold shall be reviewed to ensure that it covers a maximum of 1 % of the embedded emissions from total imports, and if it varies by more than 15 tonnes, it shall be adjusted, applying the new value from the start of the following year.

Below this threshold, companies **will not be obliged to report or purchase certificates**, replacing the previous criterion based on the economic value of the import.

This change aims to reduce the administrative burden on small and medium-sized enterprises with low climate impact.

3. **Adjustment in the minimum number of certificates required**

   The percentage of CBAM certificates that importers must maintain on a continuous basis is **reduced from 80% to 50%** of the estimated quarterly total.

   This measure makes financial management more flexible and increases business liquidity.

4. **Documentary simplification and digitalisation of the system**

   The digital infrastructure is strengthened through a **more automated CBAM register and the interconnection of customs data,** eliminating the need to exchange manual information between the central platform and the register at the end of the day. Furthermore, **the requirements for carbon prices paid** in third countries are simplified, enabling the use of default values, which will be published by the Commission from 2027 onwards, hence avoiding the individual requirement for proof per importer. In turn, it is now possible to use **evidence certified by independent entities** without the need for documentation issued by foreign public authorities.

   It facilitates the verification of imported products and streamlines validation processes.

5. **Adjustments to the list of products subject to CBAM**

   Uncalcined kaolinitic clays are removed from the list of regulated products as their low carbon intensity has been confirmed.

On the other hand, the new **(E) Emissions Trading System 2 (ETS2)**, which has emerged to complement the existing Emissions Trading System (ETS), will extend the carbon price to new sectors that have not been covered to date **the supply of fuels for road transport, buildings and small industries**. In this case, the obligation lies with fuel suppliers rather than the end consumers.

In 2025, affected entities should start the monitoring and reporting of emissions in order to prepare for the full entry into force of the system in 2027, when auctioning of allowances and the implementation of the cap-and-trade system will become fully operational. From 2028, companies will have to surrender allowances to cover their emissions, although the timeline could be postponed by one year if energy prices remain exceptionally high.

In the **Basque Country**, where transport accounts for approximately 45% of final energy consumption, **the deployment of the ETS2 could have a significant indirect effect** on energy and logistics costs, especially in sectors with a high dependence on fossil fuels. Industrial companies with their own fleets, as well as SMEs linked to transport and distribution, should anticipate the possible **carbon price pass-through to operating costs** and evaluate efficiency measures or progressive electrification.

In this context, the ETS2 incorporates a **Social Climate Fund**, which will be activated from 2026 to help vulnerable transport users and small businesses adapt to possible cost increases as a result of the implementation of the carbon price.

7.2.1. Industrial Decarbonisation and Climate Transition

The transformation of the European industrial model towards a low-carbon economy requires both technological innovation and robust regulatory frameworks to steer investments and guarantee competitiveness. In this context, the European Union has launched the Clean Industrial Deal, a comprehensive plan that seeks to accelerate the decarbonisation of Europe's industrial sector, strengthen its strategic autonomy and reduce dependence on critical raw materials from abroad.

To fulfil these objectives, it relies on **(F) Regulation (EU) 2024/1735 on the Net-Zero Industry Act (NZIA)** adopted in 2024. This Act sets a target of **at least 40% of the EU's needs for net-zero technologies to be produced domestically** by 2030, such as renewable hydrogen, carbon capture and storage, batteries, wind and solar power. In addition to boosting European manufacturing, the NZIA simplifies authorisation processes for strategic industrial projects and creates incentives to localise investments within the European market.

F

Deployment of NZIA

REGULATORY DRIVER

In 2025, the implementation of the Net-Zero Industry Act (NZIA), entered a new phase with the adoption of three implementing regulations and one delegated regulation. These complementary standards specify technical and operational aspects of the NZIA, and are key to guiding European industrial companies on how to access public support, meet new sustainability criteria and participate in EU tenders and strategic projects.

The following acts have been adopted by the European Commission:

→ **Non-price criteria** (Implementing Regulation).

Adopted in 2025, it defines the evaluation criteria to be applied by Member States in auctions and public tenders for clean technologies, other than price. It includes factors such as responsible business conduct, cybersecurity, sustainability and supply chain resilience.

Business implication: companies will need to demonstrate sustainable practices, traceability and ethical compliance in order to participate in energy or industrial tenders.

→ **Components primarily used in clean technologies** (Delegated Regulation).

It introduces an official list of components considered critical for the manufacture of net-zero technologies (such as electrolysers, wind turbines, solar panels, batteries or heat pumps).

Business implication: European manufacturers and suppliers will be able to align their production and certification to these recognised components, facilitating their eligibility for industrial support programmes and priority access to funding.

→ **List of final products and main components** (Implementing Regulation - entry into force: December 2025).

It details which specific products and components will be subject to the "resilience" criteria set out in the NZIA, which limit dependence on third countries (when they exceed 50% of the supply of a technology).

Business implication: the sourcing and financing of products manufactured in the EU or with diversified supply chains will be favoured.

→ **Guidelines on strategic projects** (Implementing Regulation):

It sets out the conditions for an installation or project to be recognised as a **"net-zero strategic project"**, ensuring uniform processes between Member States.

Business implication: companies developing pioneering clean technology projects will be eligible for accelerated licensing and priority access to European funding.

Overall, these regulations **implement objective set out in the NZIA to strengthen the European industrial base** and consolidate a competitive and sustainable internal market. For **Basque companies,** especially those related to the energy, advanced materials, engineering or manufacturing sectors, these measures represent **new opportunities for positioning in European low-carbon value chains**, as well as **technical compliance and traceability challenges** in public tenders and grants.

To complement this Act, the European Commission proposed the **(G) Industrial Accelerator Act** in early 2025, previously known as the *Industrial Decarbonisation Accelerator Act*. The public consultation on the proposal ended on 9 July. However, following its renaming, which was announced during the State of the Union Address on 10 September, the adoption of the regulation has been postponed from December 2025 to early 2026.

This initiative seeks **to boost the decarbonisation of energy-intensive sectors** (such as steel, cement or chemicals), ensuring that they can maintain their international competitiveness. Some of its most important measures include:

→ **Speeding up permitting procedures** for industrial decarbonisation, including carbon capture and storage infrastructure.
→ **Promoting high-impact projects and clusters** to facilitate access to funding.
→ The incorporation of **sustainability, resilience and manufacturing criteria in Europe** into industrial and public procurement policies.
→ The development of a **low-carbon label, initially covering steel and later cement**, to provide consumers with information on the carbon intensity of products. According to the Commission, the label would help companies obtain a green premium for their products.

Along the same lines, **industrial decarbonisation** relies on two other key instruments:

→ The **(H) EU Energy and Raw Materials Platform,** operational from July 2025, aims to strengthen security of supply and industrial competitiveness **by aggregating demand and combining procurement of energy and low-carbon raw materials** (hydrogen, biomethane, strategic minerals for the energy transition, such as lithium, copper and rare earths).

This initiative directly affects companies in the energy sector (especially in gas, biomethane and hydrogen), the extractive and mining industry, entities devoted to the recycling and processing of critical materials and manufacturers of

components that depend on these inputs (batteries, electronics, transport, etc.).

Access to the platform will be open to EU-based companies that participate transparently in demand aggregation or matching processes, complying with sustainability, traceability and responsible sourcing criteria.

- The **(I) European Competitiveness Fund (ECF)**, proposed in July 2025, seeks to **finance strategic industrial investments** in sectors such as clean energy, batteries, microelectronics, biotechnology or defence. This fund aims to reduce investment risk and provide support throughout the entire value chain, from R&D to manufacturing.

As a whole, these measures make up the new European framework for sustainable reindustrialisation, combining climate action, technological innovation and economic competitiveness.

For the **Basque industrial sector**, especially for **companies in energy-intensive and advanced manufacturing sectors**, this new framework represents **a challenge in terms of regulatory adaptation** (new decarbonisation and traceability requirements) and **an opportunity for preferential access to European funding, innovation and public contracts.**

7.2.2. Offsetting Mechanism

As a complement to the regulations obliging companies to progressively reduce their emissions, the European Union has approved **(J) Regulation (EU) 2024/3012 on Certification for Carbon Removals**. This new regulatory framework addresses the growing need, recognised by the Intergovernmental Panel on Climate Change (IPCC), to use CO_2 absorption and storage methods to counterbalance hard-to-abate residual emissions and reach climate neutrality.

The regulation introduces a common European system to certify carbon removal activities, which are natural (agriculture or forest management) and technological (industrial capture or storage in products). It aims to **ensure environmental integrity and transparency**, avoiding greenwashing and building trust in voluntary markets and compliance schemes.

Its key elements envisage:

→ The **European Commission will establish a unified digital platform** ("Union Registry") **by 27 December 2028** to register, verify and trace certified units, avoiding double counting and ensuring transparency.

→ Only **certified carbon removal units** can be issued following verification by **independent accredited bodies**, which will increase the control and quality requirements for project developers.

The creation of a reliable and traceable European certification system may boost the development of an ecosystem of carbon removal projects in the Basque Country, encouraging investment in natural CO_2 capture and storage technologies and solutions. This framework will enable Basque companies to invest directly in offsetting projects or access a certified carbon offset credits market to offset their residual emissions. The units generated may be registered in the **Basque Registry of Energy Transition and Climate Change Initiatives** or in the **National Carbon Footprint, Offsetting and Removals Registry,** increasing the transparency and traceability of their decarbonisation strategies.

7.3. Transport Sectoral Policies

To advance in decarbonisation and the fulfilment of the EU's climate targets, there are specific policies aimed at key sectors of the economy. These regulations set out specific obligations for certain sectors, aimed at reducing emissions, increasing energy efficiency and promoting low-carbon technologies. Some of the most relevant regulatory frameworks for the transport sector are described below.

Road transport is one of the key pillars of the EU's decarbonisation strategy. Its transformation is essential not only to meet climate neutrality targets, but also to reduce air pollution from fossil fuel combustion, which has a direct impact on public health and environmental quality.

In this context, and as part of the Industrial Action Plan for the European automotive sector, the Commission announced a **(K) Review of the Car Labelling Directive (EC) 1999/94** in 2026. To date, this Directive has required Member States to provide consumers with clear information on the fuel consumption and emissions of new cars, indirectly encouraging manufacturers to improve their energy efficiency. The new version will seek to increase transparency and comparability between technologies, including data on the life cycle, the use of critical materials and the industrial carbon footprint of vehicles.

For the Basque Country, this update will boost the **environmental traceability within the automotive value chain.** Suppliers of strategic materials, such as steel, aluminium or electrical components, will have to measure and report their footprint, adopting advanced tools for **life cycle assessment and management**. Companies that already integrate environmental metrics and emission reduction strategies will have a competitive advantage, as manufacturers will tend to prioritise products with a lower climate impact in order to maintain their position in the European market.

In terms of decarbonisation targets, Regulation (EU) 2019/631 set CO_2 emission performance standards for new passenger cars and new light commercial vehicles (vans), defining ambitious phase-down targets for 2025, 2030 and 2035. However, in the face of market pressures, especially volatility in demand for electric vehicles, rising production costs and supply chain challenges, the European Union adopted **(L) Regulation (EU) 2025/1214 on CO_2** emissions for new passenger cars and new light commercial vehicles, effective since June 2025.

This amendment introduces a **temporary flexibility mechanism for the period 2025 to 2027**, which will enable manufacturers **to average the emissions of their new vehicles** over those three years, instead of meeting strict annual targets. Therefore, the quantitative objectives are maintained, but additional time is granted to adapt to the technological transition without relaxing the underlying targets.

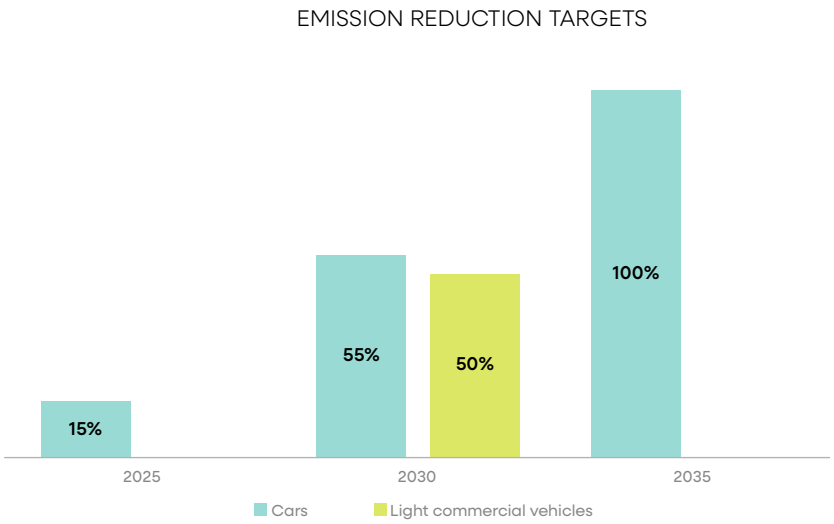


Figure 14. CO_2 emission reduction targets for new passenger cars and new light commercial vehicles set out in Regulation (EU) 2025/1214.

This flexibility mechanism is based on giving vehicle manufacturers the ability to average their emissions over the three-year period 2025, 2026 and 2027, so that the target of a 15% reduction in vehicle emissions will be met upon completion of the period. While the regulation continues to directly impact the automotive sector and its value chain (battery chemists and those companies that supply parts to manufacture vehicles), and indirectly impact the energy sector, it introduces a mechanism that gives vehicle manufacturers a 2-year window to reduce their emissions.

For car manufacturers, this measure offers temporary relief, enabling them to adjust their product portfolios and investment strategies in a more orderly way, avoiding immediate penalties for annual deviations. However, this does not mean a real relaxation of the requirements, since they will have to demonstrate that, on average, they meet the reduction targets set by the end of 2027.

Companies supplying the value chain - electrical components, battery systems, metallurgy, advanced chemicals or electronics - will also be affected. The pace of orders and industrial conversion may fluctuate, as manufacturers now have some leeway to stagger the replacement of combustion models. However, the structural trend towards zero-emission and electric vehicles remains largely intact, so that an increasing demand for low-carbon technologies and critical materials is expected. Furthermore, the energy sector and charging infrastructure will continue to be key in order to sustain the transition.

The term “largely intact” refers to the fact that the European Commission has recently revised the regulatory framework that required all new passenger cars and vans to be zero-emission from 2035, with a pre-legislative proposal for a more flexible approach. It is proposed that up to 10% of the total CO2 of each manufacturer’s new fleet can be offset by GHG reductions, either through the use of low carbon steel (made in Europe) or through the use of biofuels and synthetic fuels. This adjustment addresses considerations of industrial competitiveness, technological maturity and infrastructure, and reinforces the principle of technological neutrality, keeping the electric vehicle at the heart of the transition, but without making it the only mandatory solution.

In the context of the **Basque industrial sector,** characterised by a high specialisation in the automotive, capital goods and advanced manufacturing sectors, this measure represents a **window of opportunity to consolidate technological capabilities and secure positions in the new European supply chains**. However, the temporary flexibility

margin must be used strategically, as companies that fail to move forward in terms of innovation and decarbonisation risk being left behind when regulatory requirements are tightened again from 2028 onwards.

In line with measures to reduce emissions in road transport, the European Union has also strengthened the regulatory framework for the **deployment of infrastructure to facilitate the transition to low-emission mobility**. In this respect, Regulation (EU) 2023/1804, sets binding targets for the development of alternative fuels infrastructure, such as electricity, hydrogen or liquefied natural gas, in order to support the fulfilment of European climate targets.

Subsequently, this framework has been amended by **(M) Delegated Regulation (EU) 2025/671 as regards additional data types on alternative fuels infrastructure,** which specifies the additional data types for such infrastructures. While it does not change the essential requirements of the original regulation, it does extend the mandatory information to be reported by Member States and operators, increasing the granularity of certain fields, for example, by requiring exact geographical coordinates based on satellite systems and reinforcing transparency of disclosure by requiring explicit declaration of the 100% renewable nature of the energy used.

In the Basque context, these measures will have a direct impact on installation companies, electrical engineering firms, recharging point operators and network managers, who will have to adapt their systems to the new European standards for interoperability, traceability and data reporting. For fleet-using companies, the effect will be mainly indirect, as they will be able to benefit from a larger and more efficient public network without necessarily having to invest in their own infrastructure. Overall, this new framework represents a **strategic opportunity for the Basque Country, which can position itself as a benchmark in the deployment of green electric mobility and port infrastructures at a European level.**

Although land transport accounts for the majority of the sector's emissions, the maritime and aviation sub-sectors remain significant because of the difficulty in reducing their respective emissions. Bearing this in mind, the International Maritime Organisation (IMO) adopted a new binding legal framework in April 2025, which aims to steer maritime transport towards climate neutrality. The **(N) IMO Net-Zero Framework** sets ambitious targets:

- Reach net-zero carbon emissions by 2050
- Reduce global ship emissions by 20 % by 2030
- Reduce global ship emissions by 70 % by 2040

The framework will include **marine fuel standards** for heavy transport and a **global carbon pricing mechanism**, applicable to ships with a gross tonnage of over 5,000 tonnes. After technical and political adjustments, effective implementation is scheduled for 2026. This new system could have an impact on export and import costs, but it also opens up strategic opportunities for the Basque Country: **Bilbao and Pasaia ports** could be consolidated as innovation poles and clean maritime technology if early adaptation and investment measures are adopted.

Finally, in terms of air transport, the International Air Transport Association (IATA) developed a global system for the **(Ñ) Sustainable Aviation Fuel (SAF) Registry**, which was launched on 3 April 2025. It aims to track SAF transactions, verify their environmental provenance (raw materials used, low carbon processes and global emission reductions from their synthesis) and promote transparency among stakeholders (producers, airlines and regulators). Participation in this mechanism will be free of charge until April 2027, after which it will be managed on a cost recovery basis.

The implementation of this registry opens up opportunities for the Basque industrial sector, especially for biofuel producers, raw material suppliers and associated logistics companies. Participating in this system will provide access to regulated markets, strengthen the traceability and environmental visibility of products, and foster innovation in sustainable processes.

7.4. Voluntary Initiatives

In addition to regulatory frameworks, the private sector is moving forward through voluntary commitments and initiatives that complement and reinforce climate action. These initiatives, backed by international organisations, business alliances and technical bodies, establish **common standards and methodologies** to measure carbon footprints, set emission reduction targets and report progress transparently.

Their adoption increases the **credibility of corporate climate strategies**, facilitates **alignment with international best practice** and enhances **preparedness for future regulatory reporting and mitigation obligations.**

ISO 14064/14067 and the GHG Protocol are among the most recognised methodologies to calculate and manage emissions, developed by the International Organisation for Standardisation (ISO) and the World Resources Institute (WRI) / World Business Council for Sustainable Development (WBCSD) respectively. They are both the international benchmarks most widely used by companies and governments to account for greenhouse gas (GHG) emissions, due to their technical rigour, extensive global adoption and compatibility with the verification and reporting systems required by frameworks, such as the CSRD.

Historically, GHG standards have been developed separately, with varying scopes and verification guidelines, leading to fragmentation and a certain lack of consistency between methodologies. To address this situation, **(O) ISO and the GHG Protocol announced a strategic partnership** in October 2025 to create a common global language and a unified emissions accounting and reporting framework. The aim is to provide companies, investors, verifiers, auditors and policy-makers with a coherent and credible system for emissions measurement and reporting, facilitating **interoperability between standards and reducing administrative burdens.** This partnership will enable companies currently applying ISO 14064/14067 or the GHG Protocol to **migrate** towards a future harmonised framework **without duplicating efforts**, promoting wider and more consistent adoption.

As for setting emission reduction targets, the global trend is to move towards science-based targets, in line with the Paris Agreement. In this area, the **Science Based Targets initiative (SBTi)** plays a key role in providing standards, tools and guides that enable companies to set and validate targets that are compatible with the 1.5°C limit on global warming and reach net-zero emissions by 2050. SBTi is currently revising its **(P) Corporate Net-Zero Standard** in order to strengthen the methodological framework and increase the transparency and robustness of the targets submitted by companies.

MARKET DRIVER

P

SBTi raises corporate climate ambition: new requirements in its Net-Zero Standard

The Science Based Targets initiative (SBTi) is revising its Corporate Net-Zero Standard with the aim of increasing ambition and transparency in the climate commitments of the business sector. This update seeks to **ensure that corporate targets are aligned with the latest IPCC science** and that emission reductions are prioritised over offsetting.

The main changes proposed include:

→ **New business categorisation system**, which classifies companies according to their **size, geographic location and operational characteristics**, enabling a more context-specific approach.

- **Increased transparency in reporting:** companies will now be required to publish annual details of their **organisational boundaries**, the **methodology used for each Scope 3 category**, as well as the **assumptions and databases used.**
- **Extension of Scope 3:** the obligation to cover at least **67% of Scope 3 emissions** is maintained, although SBTi plans **to raise this threshold to 90%** for sectors with high indirect emissions, both upstream and downstream.
- **Revision of reduction thresholds:** the new standard foresees an **increase in the absolute minimum emission reduction by 2030**, moving from the current **50 % to between 55 % and 60 %,** depending on the sector.
- **More precise definition of residual emissions**, including the **maximum proportion that can be neutralised by offsetting.**
- **Updating of the timelines for medium-term objectives,** in order to improve coherence between intermediate targets and the path towards Net-Zero.

Companies will still be able to set short-term targets for 2030 under the current versions of the Corporate Net-Zero Standard in 2025 and 2026. From 2027 onwards, companies will be expected to use V2 to set new short and long-term targets.

These changes will put **more pressure on companies**, especially in the **quantification and management of Scope 3,** by requiring more complete and verifiable information. Likewise, those organisations that based their climate strategy mainly on offsets will be forced to **reinforce their actual reduction actions.**

On the other hand, companies that adopt this new standard will be able to distinguish themselves as climate leaders, with credible and measurable targets that are aligned with science.

In parallel, SBTi is developing **sector-specific standards** for industries with the highest emissions - **energy, chemicals, fossil fuels, automotive and road transport** - currently in various stages of public consultation, pilot testing or validation.

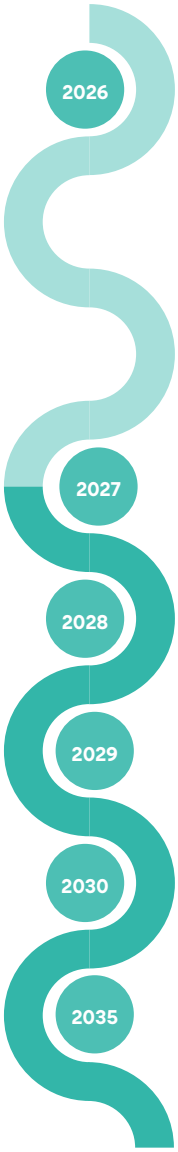
Overall, this revision of the SBTi standard represents a decisive step towards more rigorous, transparent and effective climate action, strengthening the role of the private sector in the global transition towards net-zero emissions.

Furthermore, SBTi has developed the **(Q) SBTi FLAG (Forest, Land and Agriculture) Standard**, aimed at companies whose climate impacts include emissions and removals from forest management, land use and agriculture, such as the food, wood, paper or bioenergy sectors, as well as those whose value chain depends on these activities, as is the case of the textile, manufacturing and distribution sectors.

The standard introduces specific accounting methodologies for deforestation, degradation, land management and agricultural chains, requiring the **disaggregation of FLAG and non-FLAG emissions** within GHG inventories and setting **"zero deforestation" targets by 2025.**

Participation in these initiatives not only drives more robust management of direct emissions (own operations), but also fosters **greater traceability and control over the value chain**. As a result, many companies pass on the requirement to report emissions data or adopt aligned reduction targets to their suppliers and business partners, generating a cascading effect throughout the production sector.

7.5. Timeline



Q1 2026

Mandatory for large companies to measure and report their carbon footprint - mandatory scopes 1 and 2, voluntary scope 3 - and to present emission reduction plans against their reported inventory. (A) **State**

Launch of the Social Climate Fund in its pre-financing phase. (E) **European**

Q1 2027

Obligation to purchase and deliver CBAM certificates. (C) **European**

Initial phase of adaptation to ETS 2 for fuel wholesalers, focusing on monitoring of sales volumes, calculation of emissions and registration in national emissions trading systems. (E) **European**

Implementation of version 2 of SBTi's Net-Zero corporate standard to set short- and long-term emission reduction targets. (P) **International**

Q2 2027

Limit for free participation in the Sustainable Aviation Fuel Registry. (Ñ) **International**

Q4 2028

Deadline for the implementation of an EU registry to register, verify and provide traceability of certified carbon removal units. (J) **European**

Q1 2028

Incorporation of Scope 3 in the calculation and reporting of emissions for state public sector entities registered in the national carbon footprint registry. (A) **State**

Compliance phase and allowance trading under the ETS 2. (E) **European**

Q3 2030

NZIA target of approaching or achieving, in aggregate, at least 40% of the annual deployment needs of strategic net-zero emission technologies manufactured in the EU. (F) **European**

Q1 2030

CO_2 emission reductions of 55% for new passenger cars and 50% for new light commercial vehicles with respect to 2021 levels. (L) **European**

Q1 2035

100 % CO_2 emission reduction for new passenger cars and light commercial vehicles with respect to 2021 levels. (L) **European**

REGULATORY DRIVERS:

(B) Royal Decree 214/2025 creating the carbon footprint, offsetting and removals registry
(C) Regulation (EU) 2025/2083 on the simplification and strengthening of the CBAM
(E) Emissions Trading System (ETS) 2
(F) Regulation (EU) 2024/1735 on Net-Zero Emission Technologies (Net-Zero Industry Act - NZIA)
(J) Regulation (EU) 2024/3012 on Certification for Carbon Removals
(L) Regulation (EU) 2025/1214 on CO2 emissions for new passenger cars and light commercial vehicles
(Ñ) Sustainable Aviation Fuel Registry (SAF)
(P) Corporate Net-Zero Standard

7.6. Implication Table

	DRIVERS	LARGE COMPANIES	SMES	BASQUE ECODESIGN CENTRE VALUE CHAINS								
(A)	Royal Decree 214/2025 creating the carbon footprint, offsetting and removals registry	●	○	●	●	●	●	●	●	●	●	●
(B)	Inclusion of carbon footprint in the Technical Building Code	●	●	○	●	●	○	●	●	○	●	●
(C)	Regulation (EU) 2025/2083 on the simplification and strengthening of the CBAM	●	○	●	●	●	○	●	●	●	●	○
(D)	Carbon Border Adjustment Mechanism (CBAM) Methodology	●	○	●	●	●	○	●	●	●	●	○
(E)	Emissions Trading System (ETS) 2	●	●	○	○	○	●	○	○	○	○	○
(F)	Regulation (EU) 2024/1735 to strengthen the European manufacturing ecosystem for net zero emission technologies (Net Zero Industry Act - NZIA)	●	●	●	●	●	○	●	○	○	●	○
(G)	Future Industrial Accelerator Act	●	●	●	●	●	○	●	○	○	●	○
(H)	EU Energy and Raw Materials Platform	●	●	●	●	●	○	●	●	●	●	
(I)	European Competitiveness Fund (ECF)	●	●	●	●	●	○	●	●	●	●	●
(J)	Regulation (EU) 2024/3012 on Certification for Carbon Removals	●	○	○	●	●	○	●	●	●	●	●
(K)	Review of the Car Labelling Directive (EC) 1999/94	●	○	●	○	○	●	●	○	●	●	●
(L)	Regulation (EU) 2025/1214 on CO2 emissions for new passenger cars and light commercial vehicles	○	○	●	○	○	●	●	○	●	○	○
(M)	Delegated Regulation (EU) 2025/671 on additional data types on alternative fuels infrastructure	●	○	●	○	●	●	○	○	●	●	○
(N)	IMO Net-Zero Framework	●	○	○	○	●	●	○	●	●	●	●

Automotive
Construction
Power generation and distribution
Distribution
Metal
Lifting equipment
Transport equipment
Production of power generation & transmission equipment
Financial

Level of involvement

● High ● Medium ○ Low

08. Zero pollution

After consolidating its strategic framework, the European commitment to Zero Pollution is entering a phase of regulatory intensification that reinforces its industrial and chemical dimension, with new directives, restrictions and technical references that raise the level of environmental requirements to guarantee an environment free from air, water and soil pollution and the use of hazardous substances.

In the context of the European Clean Industrial Deal and the Competitiveness Compass, the European Commission is promoting the **Chemicals Industry Action Plan**, aimed at strengthening the competitiveness of the sector without weakening the environmental and health protection bases underpinning the Chemicals Strategy for Sustainability. This framework is complemented by regulatory simplification measures, such as the **Omnibus VI - Chemicals** package and the structural revision of **Directive (EU) 2024/1785 on Industrial Emissions (IED)**, which consolidates the integration of Best Available Techniques (BAT) and extends the scope to new pollutant activities. As a whole, these initiatives form a transition scenario that combines environmental ambition, regulatory simplification and progressive adaptation of the European industrial sector towards zero pollution.

8.1. Air

(A) Directive (EU) 2024/1785 on Industrial Emissions (IED), as the main regulatory framework regulating emissions to air, water and soil from the most intensive industrial activities, obliges installations included in its Annex I to obtain an integrated environmental permit, comply with Best Available Techniques (BAT) and keep their emissions within the limits set by the legislation or the permit itself. The new Directive, adopted in August 2024, **must be transposed into national law by 1 July 2026.** For companies subject to the IED, it translates into a need to review existing environmental permits before 2030, anticipating possible adjustments to technologies, processes and control systems.

Within the framework of the alignment of the BAT with the requirements of the IED, the publication of the **(B) Best Available Techniques (BAT) Best Reference Document for the Smitheries and Foundry Industry (SF BREF)**, officially adopted in the Official Journal of the European Union in March 2025, stands out. This document sets out emission limit values and the best available techniques for the following activities:

Activities included in the SF BREF	
Rolling Process	Hot ⟶ *Capacity > 20 t of crude steel/h* Cold ⟶ *Capacity > 10 t of crude steel/h*
Forging	With hammers ⟶ *Energy > 50 kJ / hammer* With forging presses ⟶ *Force > 30 MN /press*
Foundry	Of ferrous metals ⟶ Production > 20 t / day Of non-ferrous metals (incl. Alloying, recovery products and other processes) Melting capacity ⟶ > 4 t for lead and cadmium ⟶ > 20 t for all other metals
Wastewater treatment	Not covered by Directive 91/271/EEC, provided that the main pollutant load arises from the activities covered by these BAT conclusions

B

BREF Report for the Smitheries and Foundries Industry

In line with the revision of the Industrial Emissions Directive, which incorporates the obligation of drawing up a transformation plan aimed at decarbonisation, circularity and zero pollution, the content of the BREF Report for the Smitheries and Foundries Industry includes the BATs applicable to the different areas regulated by the IED:

- **Minimum content and detail of the Environmental Management System** that the company must prepare and implement (and have audited) in accordance with the IED, whereby the transformation plan, emission reduction plan, noise and vibration management plan, odour management plan and water management plan are particularly relevant.
- Diffuse and confined **emission limit** values, **reduction** in **odour** generation and **monitoring**.
- Environmental performance levels and aspects related to **energy efficiency**, as well as the techniques to comply with the established values
- **Monitoring of industrial discharges** with detailed standards for analysis and sampling.
- **Waste generation optimisation** measures, such as increased re-use of rejects, surplus management measures, return of packaging to the supplier, etc.

One of the main updates is the inclusion of emerging techniques that will constitute new BATs for the future BREF by setting emission limits::

- Reduction of metal oxides, mainly iron, to pure metal without greenhouse gas emissions.
- On-line analysis of temperature and chemical composition.
- Spark plasma sintering.
- Use of biocoke in cupola furnaces for efficient iron melting.

8.2. Water

European water regulations have undergone significant developments: the final adoption of the **(C) Directive (EU) 2024/3019 concerning urban wastewater treatment** and the updated **Surface Water Watch List.**

The new Directive, which structurally updates the EU Urban Wastewater Treatment Framework, **entered into force on 1 January 2025.** Although the legal text was adopted in April 2024, its formal legal application did not begin until 2025. It will be implemented in the medium-term, given that the regulation entered into force on 1 January 2025 and establishes a period of 31 months for its transposition, with a deadline of 31 July 2027.

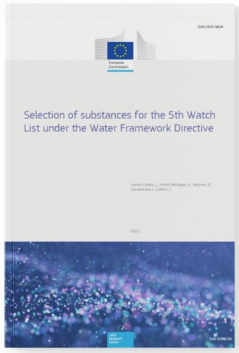
The main obligations include the **progressive obligation** of tertiary and **quaternary treatment** to eliminate nutrients, micropollutants and microplastics, the extension of the scope to smaller urban agglomerations, the **introduction of a system of Extended Producer Responsibility** (EPR) which will shift part of the treatment costs to producers of specific pollutants (in particular pharmaceuticals

and cosmetics), the obligation to **monitor emerging pollutants** and **increase the energy and climate efficiency** of installations and the need for integrated planning between water, health and local authorities.

In the case of the Basque industrial sector, it will affect both companies with indirect discharges to urban networks and those with their own treatment, which will have to review their systems to comply with the new effluent quality standards and the limits of micropollutants. Companies in sectors manufacturing products that lead to urban wastewater pollution (chemicals, cosmetics, pharmaceuticals, etc.) will also face financial contributions arising from the principle of extended producer responsibility, which will require prevention strategies at source, redesign of products and improvements in the traceability of discharged substances.

REGULATORY DRIVER

Update of the Surface Water Watch List



In parallel, the Commission has updated the Surface Water Watch List by incorporating new groups of pollutants. This list **does not impose direct restrictions on companies, but Member States have to monitor them** for a period of four years. The data collected can be used for the review of the Water Framework Directive environmental limit values, the inclusion of substances in the list of priority substances with binding restrictions and the assessment of the need to establish reduction or substitution obligations at a European level. For sectors that use or are potentially exposed to these substances (agrochemical, phytosanitary, chemical, raw material distribution), this update serves as an early indicator of possible future restrictions, especially in vulnerable areas or with a significant impact on water bodies.

The substances proposed in the Fifth Surface Water Watch List are:

Tetracycline antibiotics	Pharmaceutical antibiotic for human and veterinary use
10 azole fungicides	Azole fungicide, fungicides used as plant protection products and biocides, topical agents, etc.
6PPD and 6PPD-quinone	Antioxidant used in tyres and its oxidised derivative
Pharmaceuticals	Drugs for the treatment of depression, obsessive-compulsive disorders and bulimia nervosa, as well as for the treatment of hypertension
PPP	Veterinary insecticide and anthelmintic and acaricide
Sunscreen agents	Cosmetic product as sunscreen

In the context of water pollution by microplastics, **(D) Regulation (EU) 2025/2365 on preventing plastic pellet losses** was adopted on 12 November 2025, which aims to reduce microplastic pollution from the industrial handling of pellets - raw material in the manufacture of plastic products - throughout the entire value chain. The regulation aims to reach **"zero losses"** through prevention, containment and clean-up measures, and establishes obligations that are proportional to the volume of pellets managed. Thanks to the publication of technical guides by the European Chemicals Agency (ECHA), details of the notification requirements and the deadlines for adaptation are known. Operators must implement **risk management plans that identify critical loss points,** train personnel, improve traceability and adopt physical control measures during storage, transport and cleaning of equipment. Companies that handle **more than 1,500 tonnes per year must also conduct external audits and periodic certification of compliance.**

The regulation **will apply from December 2027,** with an additional year for maritime transport. Its implementation will affect all actors handling pellets, including producers, processors, distributors and transporters. Companies in the plastics, chemical and logistics sectors should adapt their internal procedures to prevent leaks, incorporate specific control and cleaning systems and ensure proper reporting of incidents.

TOOL

E

OCS Certification: a way to anticipate the new European regulation

Operation Clean Sweep®

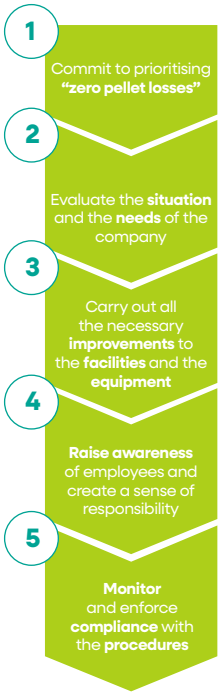
In parallel to the new Regulation (EU) 2025/2365 on preventing plastic pellet losses, the **Operation Clean Sweep** (OCS) scheme is established as a useful tool for companies in the plastics, chemical and logistics sector to demonstrate control over pellet loss risks throughout the value chain.

- → Alignment with the technical requirements of the new regulation: control, training, cleaning, traceability plans.
- → Audit compliance for installations exceeding 1,500 tonnes per year.
- → Improved customer perception and reinforced position in sensitive sectors (automotive, food packaging, distribution...).

Certificate:

- → Good practices for handling and storage.
- → Staff training and cleaning protocols.
- → External audit and continuous improvement.
- → Adopting this voluntary certification enables companies to anticipate regulatory obligations and move towards the common goal of "zero losses" in pellet handling.

To reach alignment, the steps described in the figure must be applied.



It is worth mentioning that despite European regulatory progress in the management of microplastics, **plastic pollution** remains one of the **main global environmental challenges**. This has prompted the launch of a *Global Plastics Treaty to end plastic pollution*. The process started in 2022 under the coordination of the United Nations. The agreement aims to establish a binding international legal instrument to address the entire life cycle of plastics in a coordinated way, from production to waste management. However, despite negotiating efforts and successive rounds of dialogue, the process has failed to materialise into a comprehensive agreement. The last session, held on 15 August 2025, concluded **without consensus after ten days of negotiations.** Although several States reaffirmed their intention to further explore avenues of cooperation, the initiative has stalled, reflecting deep divergences over the regulation of the production and use of plastics globally.

8.3. Soil

(F) Directive (EU) 2025/2360 on Soil Monitoring and Resilience was adopted on 12 November 2025, establishing the first common legal framework at a European level to assess and monitor the state of soils, with the overall objective of achieving healthy soils across Europe by 2050. This Directive is a key step towards healthier and more resilient soils, which are essential to ensure food security, clean water and human and environmental health. The **Member States will have until December 2028** to transpose the new rules into national law.

The regulation sets an overall target for all EU soils to be in good condition by 2050, in line with the Biodiversity Strategy and the objectives of the Green Deal. The key points are:

- Establishment of a common **framework to assess the status** of soils through harmonised criteria by establishing common methodologies and representative control points per soil type and use.
- The obligation for Member States to **identify areas at high risk** of degradation, compaction, erosion, salinisation or loss of organic matter.
- The establishment of **common soil health indicators,** including physical, chemical and biological.
- A system of **regular reporting** to the European Commission, which will enable developments between countries to be compared and trigger corrective measures if necessary.

For organisations, this new framework may have indirect impacts in the coming years, especially in projects involving intensive soil use, the generation of potentially polluting waste or the transformation of land use. It may also generate additional requirements for environmental impact studies, post-industrial restoration or environmental certifications related to soil health.

MARKET DRIVER

Recovery of vacant industrial land in the Basque Country: new projects under way

The recovery of degraded industrial land is starting to be aligned with the objectives of the new European Directive on soil monitoring and resilience. In this context, the Basque Government, promoted several **projects through Sprilur in the first half of 2025, aimed at reactivating disused industrial spaces.** The following actions put out to tender can be highlighted:

→ Burtzeña (Barakaldo): recovery of deteriorated space for new economic activity.
→ Plaiabarri (Erandio): redevelopment of industrial land.
→ Etxeuli (Santurtzi): adaptation of a plot of land to facilitate its re-use.

The total planned investment amounts to €33 million.

These projects address industrial policy needs and principles of efficient land use and environmental regeneration.

In a context of increased European regulatory requirements, this type of action can anticipate the indirect fulfilment of the 2050 healthy soil targets.

8.4. Hazardous Substances

The regulation of hazardous substances enhances the protection and guarantee of public health and the environment, so their proper identification and labelling is key to ensure transparent and reliable communication. In this context, the entry into force of **Regulation (EU) 2024/2865 on classification, labelling and packaging of substances and mixtures (CLP)** stands out, introducing the updated chemical hazard communication framework in the European Union. The new CLP expands hazard classes (including endocrine disruptors and persistent substances), increases traceability of information and fosters digital labelling for chemicals, harmonising the presentation of data. It aims to modernise the classification system and facilitate the transition to safer and more transparent chemicals, in line with the Chemicals Strategy for Sustainability.

However, the magnitude of the changes led the European Commission and the Council to adopt the **(G) "Stop the Clock"** mechanism in September 2025, which **postpones the entry into force of several key obligations of the new CLP until 1 January 2028.** This postponement aims to avoid overlaps with other standards under review and give companies time to adapt their systems and supply chains, especially SMEs in the chemical and materials processing sector.

In parallel, the Commission presented the **(H) Chemicals Omnibus VI Package** in July 2025, as part of the Chemicals Action Plan, with the aim of simplifying and harmonising the regulatory framework without reducing the levels of environmental and health protection. This initiative **introduces adjustments to three main regulations: CLP, cosmetics** and **fertilisers,** reducing duplication and improving consistency between assessment and reporting systems.

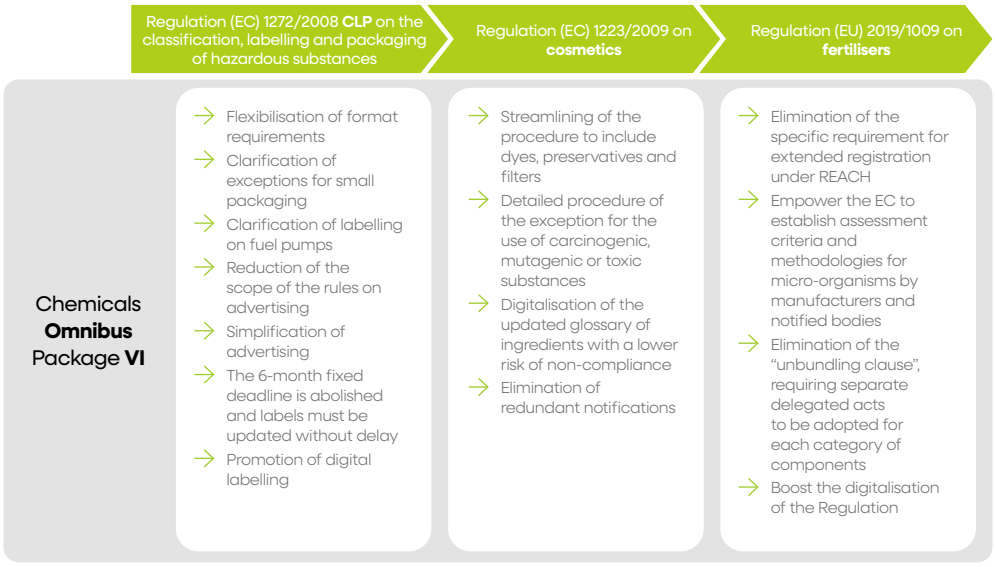
This package of measures reflects a transitional phase: the EU maintains the pressure to substitute hazardous substances, but at the same time introduces a regulatory pause to facilitate the implementation of the new framework. If this new regulatory approach is finally confirmed, the **impact on the Basque industrial sector will be relative.** For users of chemicals in sectors, such as construction, surface treatment or industrial services, slowing down the legislative process could bring some temporary stability, but also generates uncertainty regarding the future direction of the European chemicals policy. On the other hand, the combination of delays and cutbacks in the Commission's ambitions may create dissonance: companies that have already prepared for strict regulation may be penalised if the final framework is laxer, affecting investment, innovation and competitiveness.

H

Chemicals under review: regulatory simplification and 'stop-the-clock'

REGULATORY DRIVER

The **(H) Chemicals Omnibus VI Package** is a proposed regulation that amends three key legislative frameworks for companies in the chemical sector:



The aim is to **reduce administrative burden**, streamline procedures and improve coordination between regulatory frameworks affecting the same substances or products. The measure is of particular relevance for manufacturers, importers, distributors and formulators of chemicals.

Given that the Omnibus VI package makes no reference to the revised CLP Regulation (EU) 2024/2865 amending the 2008 CLP Regulation, the Stop the Clock mechanism has arisen in order to avoid contradictions. This **Stop the Clock** mechanism for chemicals postpones the implementation of several key articles of the new Regulation (EU) 2024/2865, which introduced amendments to CLP, until 1 January 2028. The mechanism enables the implementation schedules of different EU chemical standards to be synchronised, avoiding the entry into force of divergent or conflicting obligations.

Continuing with the European chemicals regulation, the reform of the REACH Regulation - announced in 2022 as part of the Chemicals Strategy for Sustainability - has not yet materialised. In the meantime, existing mechanisms continue moving forward, such as the **(I) Substances update in the REACH Regulation (EU)**. In 2025, the last round of public consultation was completed, with the addition of three new substances, bringing the list to around 250 entries.

Furthermore, in December 2025, the European Commission launched an initiative to add new hazardous chemicals to Regulation (EU) No 649/2012 concerning the export and import of dangerous chemicals, implementing the Rotterdam and Stockholm Conventions. This update is expected to be adopted in the third quarter of 2026.

For the Basque industrial sector, this process requires monitoring and adaptation to the requirements

of substance substitution, especially for entities linked to chemistry, plastics, coatings, adhesives or surface treatment. Periodic review of raw materials, evaluation of alternatives and improved product traceability are established as key practices, not only for regulatory compliance, but also to maintain access to increasingly demanding European markets in terms of chemical safety.

In parallel, one of the most relevant regulatory movements in recent years has gained momentum: the **(J) Proposal for a general restriction of per- and polyfluoroalkyl substances (PFAS)**, which is progressing as a dossier under the REACH Regulation. This group of compounds is associated with environmental and health risks due to their high persistence and mobility in ecosystems. The initiative, launched in 2023 by five Member States (Germany, Denmark, the Netherlands, Sweden and Norway), **is the most comprehensive proposal in the history of REACH: it covers more than 10,000 substances and aims to phase out all non-essential uses.**

The impact may be considerable, given the widespread use of PFAS as additives, coatings or functional agents. Companies should:

- Review formulations and processes
- Incorporate traceability and emission control
- Evaluate progressive substitutions and safe alternative

While this transition will involve costs and technical challenges, it can also increase the competitiveness of organisations leading innovation in PFAS substitution or control and treatment technologies.

J

PFAS: a more widespread health risk

REGULATORY DRIVER

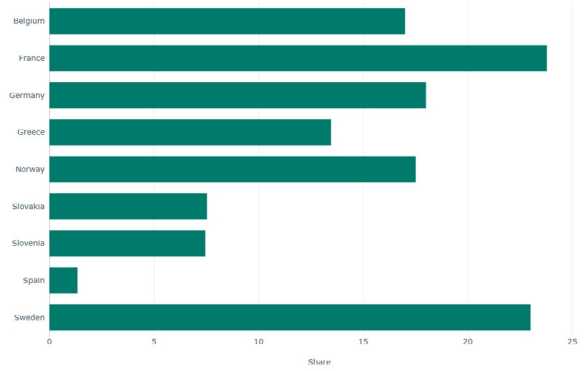
According to recent data from the European Environment Agency (EEA), a significant proportion of the European population could be exposed to concerning levels of these substances. The analysis, based on human biomonitoring, reveals that:

- European teenagers face health risks due to exposure to PFAS.
- Of the teenagers who participated in the studies, an average of 14.3% had blood levels above the health-based guidance value proposed by the European Food Safety Authority (EFSA): 4.4 ng/L for PFOS+PFOA+PFHxS+PFNA.
- The areas with the highest level of exposure coincide with industrial areas or intensive activity, and extend over a large part of the continent.

Given the large number of PFAS and their widespread use, these results highlight the need for tighter restrictions on these substances in order to limit human exposure through

- Action on current emission sources in industry.
- The establishment of stricter criteria for the use of PFAS in products and processes.
- The progressive substitution of these compounds in non-essential uses, as put forward in the proposed restriction under REACH.

The accompanying graph illustrates the percentage of teenagers at risk by country:



European Environment Agency

Source: Share of teenagers in Europe with combined exposure levels to PFOA (perfluorooctanoic acid), PFNA (perfluorononanoic acid), PFHxs (perfluorohexane sulfonic acid) and PFOS (perfluorooctane sulfonic acid) exceeding the EFSA health based guidance value of 6.9 µg/L.Risks of PFAS for human health in Europe (EEA). Link: *https://www.eea.europa.eu/en/european-zero-pollution-dashboards/indicators/risk-of-pfas-in-humans*

As a result of the pressure for the substitution of hazardous substances, tools such as the **(K) GreenScreen for Safer Chemicals** and the **(L) Health Product Declarations (HDP)** have emerged. Although they are not part of the European legal framework, they are gaining relevance as differentiation mechanisms in sectors such as construction, furniture, electronics or consumer chemicals, as they enable organisations to identify and diagnose their dependence and risk on these substances.

TOOL

K/L

Tools to assess dependence on concerning substances: *GreenScreen* and *HPD*

GreenScreen is a comparative chemical hazard assessment methodology, developed by Clean Production Action, and used to categorise substances from chemicals of high concern to safer. As shown in the following image, there are four levels:

GreenScreen BENCHMARK 4 ⟶ Prefer - safer chemical

GreenScreen BENCHMARK 3 ⟶ Use, but still opportunity for improvement

GreenScreen BENCHMARK 2 ⟶ Use, but search for safer substitutes

GreenScreen BENCHMARK 1 ⟶ Avoid: chemical of high concern

GREENSCREEN CERTIFIED®

It is increasingly used in sustainable building certifications such as LEED, WELL and Living Building Challenge, and is also being used as a reference for voluntary substitution strategies in companies anticipating future REACH restrictions.

hpd VERSION 2.3

Health Product Declarations (HPD) are product declarations that detail the chemical composition of an article, up to threshold levels of 0.01 %. They allow for verification of whether it contains substances subject to the REACH Regulation and provide a useful basis for responsible purchasing initiatives or compliance with legislative restrictions.

8.5. Timeline

Q4 2024

Publication of new BREF for the Smitheries and Foundries Industry. (B) **European**

Q3 2025

The Omnibus VI package of chemicals delays and relaxes the CLP, Cosmetics and Fertilisers Regulations. (H) **European**

Q3 2025

STOP THE CLOCK postpones the entry into force of the revised CLP Regulation until 1 January 2028. (G) **European**

Q4 2027

Implementation of the provisions of Regulation (EU) 2025/2365 to reduce microplastic pollution. (D) **European**

Q1 2028

Entry into force of Regulation (EU) 2024/2865 of the revised CLP. (H) **European**

T1 2025

Entry into force of Directive (EU) 2024/3019 on urban wastewater treatment (C) **European**

T3 2025

New regulated substances due to the updated REACH list of substances. (I) **European**

T4 2025

Directive (EU) 2025/2360 on soil monitoring and resilience enters into force. (F) **European**

T4 2025

Regulation to reduce microplastic pollution enters into force. (D) **European**

T3 2026

Deadline for transposition of Directive (EU) 2024/1785 on industrial emissions. (A) **European**

T3 2026

Deadline for transposition of Directive (EU) 2024/3019 on urban wastewater treatment. (C) **European**

T4 2028

Deadline for transposition of Directive (EU) 2025/2360 on soil monitoring and resilience. (F) **European**

REGULATORY DRIVERS:

(A) Directive (EU) 2024/1785 on Industrial Emissions (IED)
(B) BREF Report for the Smitheries and Foundries Industry
(C) Directive (EU) 2024/3019 on urban wastewater treatment
(D) Regulation (EU) 2025/2365 on preventing plastic pellet losses
(F) Directive (EU) 2025/2360 on Soil Monitoring and Resilience
(G) Stop the Clock on the review of the CLP Regulation
(H) Chemicals Omnibus Package VI
(I) Update of substances in the REACH substance regulation

8.6. Implication Table

DRIVERS	LARGE COMPANIES	SMES	BASQUE ECODESIGN CENTRE VALUE CHAINS								
			Automotive	Construction	Power generation and distribution	Distribution	Metal	Lifting equipment	Transport equipment	Production of power generation & transmission equipment	Financial
(A) Directive (EU) 2024/1785 on Industrial Emissions (IED)	High	Medium	High	High	High	Low	High	Medium	High	High	Low
(B) BREF Report for the Smitheries and Foundries Industry	High	Low	Medium	Low	Low	Low	High	Medium	High	Low	Low
(C) Directive (EU) 2024/3019 on urban wastewater treatment	High	Medium	Medium	High	High	High	Medium	Medium	Low	High	Low
(D) Regulation (EU) 2025/2365 on preventing plastic pellet losses	High	Low	Medium	High	Medium	Low	Low	Medium	High	High	Low
(E) Operation Clean Sweep (OCS) Certification	Medium	Low	Medium	High	Low	Low	Low	Medium	High	High	Low
(F) Directive (EU) 2025/2360 on soil monitoring and resilience	High	Low	Medium	High	Medium	Medium	Medium	High	Low	High	Low
(G) Stop the Clock on the review of the CLP Regulation	High	Medium	Low	Low	Low	Medium	Low	Low	Low	Low	Low
(H) Chemicals Omnibus Package VI	High	Medium	Low	Low	Low	Medium	Low	Low	Low	Low	Low
(I) Update of substances in the REACH substance regulation	High	Medium	High	Medium	High	Low	High	High	High	High	Low
(J) Proposal for a general restriction of PFAs	Medium	Medium	Medium	Low	Low	Low	Low	Medium	Low	Low	Low
(K) GreenScreen for Safer Chemicals	Medium	Medium	Medium	Medium	Medium	Low	Low	Low	Medium	Medium	Medium
(L) Health Product Declarations	Medium	Medium	Medium	Medium	Medium	Low	Low	Low	Medium	Medium	Medium

Level of involvement

High · Medium · Low

09. Sustainable finance

Sustainable finance seeks to channel resources into activities that are environmentally, socially and entrepreneurially responsible, playing an essential role in the transition towards a more sustainable, competitive and fair economy. This aspect has established itself as a **strategic pillar to achieve climate neutrality and circularity in Europe,** and is crucial for the European Union (EU) to meet international sustainability commitments and the objectives of the European Green Deal and its successor, the Clean Industrial Deal.

In this framework, **the European financial system is called upon to act as an actor of transformation,** directing the flow of capital towards economic activities that contribute to the environmental and social objectives defined by the EU, through mechanisms such as the European Taxonomy and the criteria of Do No Significant Harm (DNSH).

The **European green taxonomy** is the cornerstone of European sustainable finance. It constitutes the general framework that determines which activities can be considered sustainable. Investors should use it as a benchmark to identify green sectors and activities. Companies should use it as a benchmark to identify which sectors and activities they should target their business strategies if they want to attract sustainable investments from green financial instruments (e.g. green bonds). The **DNSH criteria** seek to ensure that investments do not cause significant harm to any of the EU's six environmental objectives.

At a national level, the integration of the European sustainable finance framework is advancing. The Basque Country is strengthening its role as a driving force in the ecological transition, aligning its industrial, fiscal and energy policies with the taxonomy objectives and with sustainable financing frameworks. In this context, **Basque companies face the dual challenge of adapting their business models to new reporting requirements and taking advantage of financing opportunities** derived from sustainable fiscal and financial instruments.

9.1. European Green Taxonomy

2025 was a year of major developments for European green taxonomy. From the beginning of the year, the European Commission (EC) continued to consolidate the regulatory framework, with the aim of enhancing its practical applicability, simplifying it and extending its sectoral scope.

First of all, the EC published the **Omnibus I Package** in February 2025, seeking to enhance competitiveness in Europe and its Member States, which aims to (1) Reduce and simplify sustainability reporting obligations and requirements; (2) Exclude certain companies from reporting obligations, based on their size; and, (3) Postpone the deadlines for reporting obligations. To this end, the package includes amendments to *Directive (EU) 2022/2464* on Corporate Sustainability Reporting (CSRD) and *Directive 2024/1760* on Corporate Sustainability Due Diligence (CSDDD)[2]. These amendments **directly affect the reporting obligations of the European green taxonomy**, which is formalised in the CSRD directive.

To this end, **(A) Directive (EU) 2025/794**, known as the "Stop-the-Clock" Directive, was adopted in April

[2] These amendments are detailed in Chapter "4. Transparency and positioning" of this report.

2025, which delays the entry into force of the CSRD reporting obligation by 2 years and the CSDDD reporting obligation by 1 year. This Directive seeks to give companies more time to adapt to the regulatory changes announced under the Omnibus I package. However, parallel negotiations related to the CSRD simplification measures imply **changes to the implementation deadlines and the type of companies subject to the Directive and thus to the obligations related to Taxonomy.** For example, listed SMEs are removed from the scope of the Directive (*See section "4.1 Corporate Transparency"*).

In light of this regulatory simplification context, the **Platform on Sustainable Finance,** an advisory body to the Commission, published the **Simplifying the EU Taxonomy to Foster Sustainable Finance** Report in February 2025, which is an independent report presenting a set of recommendations simplify taxonomy reporting and enhance its effectiveness. In this report, three measures affecting non-financial entities stand out:

- **Redefine the assessment of DNSH criteria** and the disclosure obligation, distinguishing between users, uses and geographies.

- **Define clear guidelines for the use of estimates** in the taxonomy framework.
- **Develop simplified and voluntary approaches** for SMEs, as well as banks and investors.

Although the Platform has acknowledged that some of its proposals have been taken into account in the first proposal for measures to simplify the Taxonomy, it published a report in March, outlining its position on the proposed Omnibus Decree published by the Commission. This paper is generally supportive of the proposal, but includes some recommendations that would affect non-financial companies:

- **Align the scope of information on taxonomy with the scope of the CSRD.**
- **Allow all companies to report partial alignment of activities.** In this way, companies would be able to disclose information on the extent to which their activities meet the technical selection criteria, even if not in full.
- **Limit mandatory OpEx reporting to R&D activities,** making the rest voluntary, in order to better reflect transition efforts.
- **Provide clear guidance** and invest in capacity building efforts to support reporting.

Subsequently, in July 2025 the EC published the **(B) Proposal for the second Omnibus I package of simplification measures**, through a delegated act that *amends the Delegated Regulations* on the disclosure of European taxonomy information, *Delegated Regulation (EU) 2021/2178*, and Delegated Regulations (EU) *2021/2139* and *2023/2486* on technical selection criteria. These changes seek to reduce administrative burdens for companies, while preserving the fundamental objectives of the European Green Taxonomy.

B

Second Omnibus I package of simplification measures and its impact on the European Taxonomy

The second package of measures includes the following proposals:

Inclusion of a materiality threshold of 10% for KPIs: Materiality thresholds are included that exempt the need to assess the alignment of those activities that are not significant to a company. Activities whose turnover, CapEx or OpEx does not exceed 10 % of the total shall be considered non-significant. This will enable companies to focus efforts on the KPIs of their most relevant economic activities.

Possibility of not reporting OpEx if it is not relevant to the business model: Non-financial firms have the option not to assess eligibility and taxonomy alignment for their total OpEx.

Simplification of reporting templates: The number of datapoints to be reported in the disclosure templates is reduced by 64% for non-financial companies and by 89% for financial companies.

Exclusion of exposures to counterparties not required to disclose: Exposures to companies without European taxonomy reporting obligations, such as SMEs or foreign entities, are excluded. In the event that the company reports on a voluntary basis, even though it is not obliged to do so, its information may be included on a voluntary basis.

Exclusions in the KPIs for financial undertakings: Specific asset categories, such as derivatives, cash and cash equivalents, interbank visa loans and other asset categories, such as goodwill and commodities are excluded from the denominator of the KPIs for financial undertakings.

Voluntary deferral of reporting for financial undertakings: Financial undertakings will not be required to disclose taxonomy information until 2028.

Simplification of the generic DNSH criteria for pollution control and prevention: Exemptions regarding the use of certain hazardous substances in electrical and electronic equipment and the use of authorised ozone-depleting substances are included in Appendix C. Furthermore, the requirement to evaluate the use and presence of substances that have been self-classified under the Classification, Labelling and Packaging (CLP) Regulation has been removed.

Following the adoption of the delegated regulation by the European Commission in July 2025 , it was forwarded to the European Parliament and the Council for a scrutiny period of 4 months. Following the scrutiny phase, the European Parliament published its resolution in December 2025, formulating its objection. However, the objection was not approved, so the delegated act will enter into force in early 2026.

These modifications (along with those included in the Stop-the-Clock package) **would provide administrative relief for companies, especially for SMEs**, which will be able to focus on the activities with the highest environmental impact and weight in their organisation and on the KPIs that best reflect their environmental performance.

Meanwhile, **the technical screening criteria for the economic activities** set out in Delegated Regulation (EU) 2021/2139 is being reviewed and the technical screening criteria is being developed for a list of new economic activities to be **included in the taxonomy.** The key messages from the **Advancing Sustainable Finance** Report, published in April 2025 addressing these issues are shown below:

- **Recommendations for adjusting technical screening criteria for specific activities.** The report recommends reviewing emissions thresholds in power generation with a recommendation to gradually reduce them to achieve climate neutrality by 2050. Furthermore, the document recommends adjusting certain criteria according to technological and scientific advances in bioenergy, manufacturing, construction, ICT and environmental restoration activities.

- **Recommendations for new activities.** The Platform on Sustainable Finance recommends to the EC the inclusion of the following activities in the taxonomy: (i) refining; (ii) mining; (iii) R&D&I; (iv) digital solutions and services; (v) emergency aircraft manufacturing; (vi) tunnel and bridge maintenance; (vii) tyre manufacturing; (viii) telecommunication networks; and (ix) energy efficiency equipment in industry. The report clarifies that the Platform on Sustainable Finance is working on the development of technical screening criteria for these activities. However, their inclusion depends on the EC.

- **Additional recommendations to include new DNSH criteria** for activities within the adaptation objective and an analysis of the sectors most vulnerable to physical climate risks.

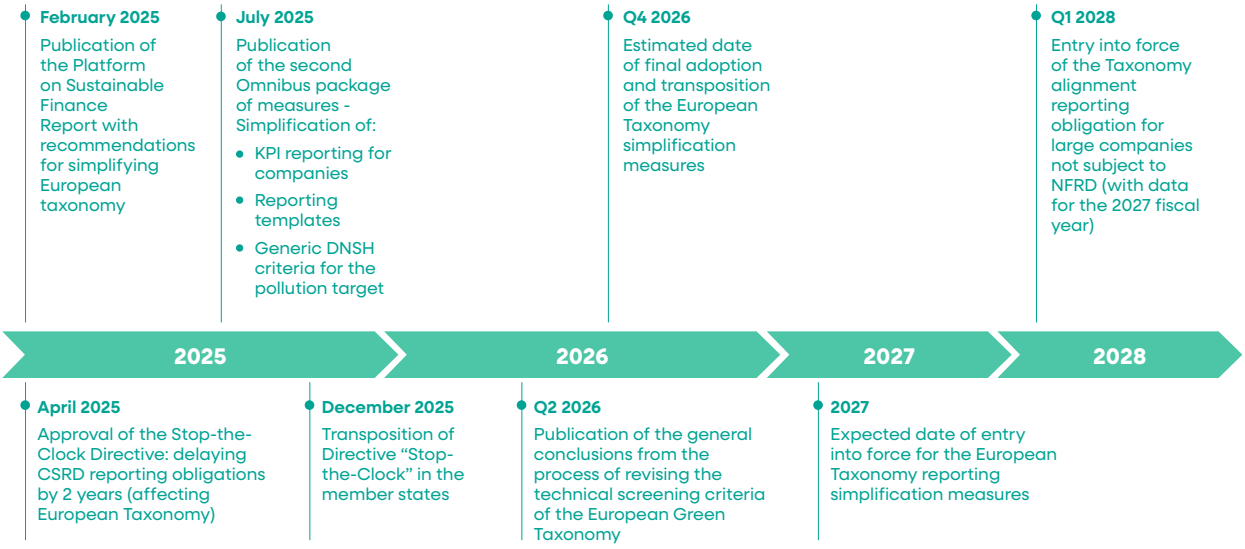
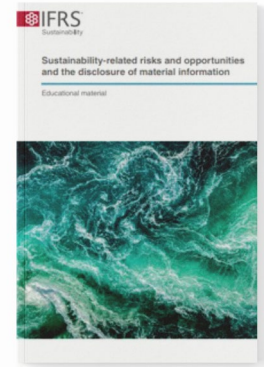


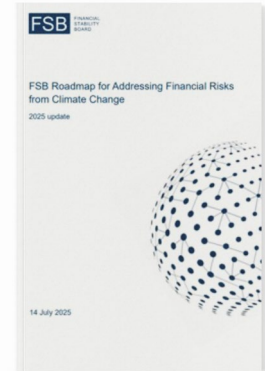
Figure 15. Timeline with the main milestones related to European Taxonomy.

9.2 Sustainable Investment

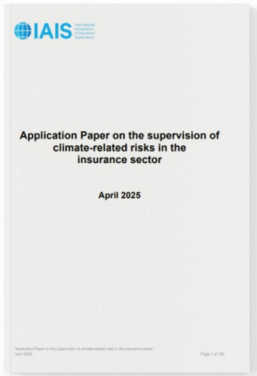
Sustainable investments continue to be consolidated as a structural component of the financial system. At the European level, the EC continues to work on optimising European green bonds, approved in 2023 under **(C) Regulation (EU) 2023/2631.** The third quarter of 2025 saw the approval of **(D) Delegated Regulation (EU) 2025/753**, **establishing the content, methodologies and presentation of the information to be voluntarily disclosed by issuers of bonds marketed** as a European green bond. This regulation is expected to enter into force in 2026. Furthermore, the EC is expected to publish a report in 2026 on the need to regulate sustainability-linked bonds, accompanied, if appropriate, by a legislative proposal.



At the international level, the International Sustainability Standards Board has published the **Sustainability-related risks and opportunities and the disclosure of material information** Report, to help companies and investors identify which sustainability information is relevant for economic decision-making, reinforcing the consistency and comparability of sustainability reporting globally. Furthermore, the Financial Stability Board (FSB) has continued to work on integrating climate change risks into the global financial stability framework with the publication of its updated roadmap, which highlights progress made in four pillars: (1) transparency; (2) data; (3) vulnerability analysis; and (4) regulatory practices.

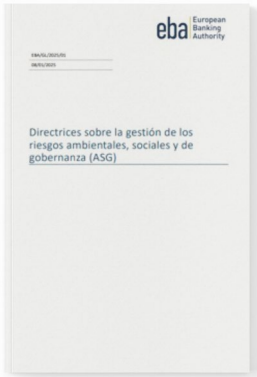


Along the same line, the International Association of Insurance Supervisors (IAIS) published a **guide to support insurance supervisors in their efforts to integrate climate-related risks into their assessments** in Q2 2025. The guide includes material related to a number of core IAIS insurance principles,



addresses topics such as scenario analysis, market conduct issues, qualitative and quantitative analysis of corporate governance and risk management, and supervisory issues related to group supervision and macro-prudential supervision.

Finally, with regard to climate risk management processes, it must be noted that **(E) the guidelines of the European Banking Authority (EBA)** will be mandatory from January 2026, except for small and non-complex institutions (whose obligation will start in 2027). As part of the EBA guidelines, institutions must include a materiality assessment of ESG risks in their internal strategies and procedures, among other issues.



At a national level, the publication of the **(F) Green Paper on Sustainable Finance (LVFS)** and the creation of the **Sustainable Finance Council** regulated in January 2025 through **(G) Order ECM/44/2025** stand out.

The LVFS is a public strategy designed by the Spanish Government to boost the climate transition and adapt the financial and corporate sector to the European Sustainable Finance Framework. This strategy seeks to mobilise public and private resources towards activities that increase business competitiveness while respecting the environment through eight strategic actions focused on adapting the financial sector, steering savings and investment towards sustainability and improving governance.

Strategic actions include **the creation of a Sustainability Sandbox**, a space for experimentation where regulators, companies and individuals and experts can test new tools to measure and manage climate risk. A knowledge repository is also envisaged,

to serve as a library of good practices and useful resources for companies (especially SMEs) and the development of sectoral guides is proposed to help companies understand how to promote sustainable investments.

One of the strategic actions proposed within the LVFS to improve governance in the field of Sustainable Finance is the **creation of a Sustainable Finance Council** as a meeting place for public administrations, supervisory actors and the private sector, with the aim of promoting public-private collaboration to identify possible actions to foster sustainable finance. This Council was created and regulated in January 2025.

G

Order ECM/44/2025 on the Sustainable Finance Council

According to Article 4 of Order ECM/44/2025 regulating the Sustainable Finance Council, the Council will act as a forum for public-private collaboration that will promote and monitor the actions of the LVFS. The functions of the Council include:

- Analysis of the challenges related to the regulatory framework for sustainable finance.
- Knowledge generation, capacity building and training.
- The promotion of discussions on the analysis of EU environmental objectives to help companies set strategic objectives and meet the targets set out in the European taxonomy.

In 2025, the Basque Country reformed its framework of tax incentives for sustainable investment, consolidating a set of tools to steer private capital towards projects that promote decarbonisation and the circular economy. In this field, the main new developments in the Basque Country are the (H) New Basque Green Tax Reform and the updating of the **(I) Basque List of Clean Technologies (LVTL).**

In the second quarter of 2025, the Provincial Councils of Bizkaia, Alava and Gipuzkoa approved the green tax reform. On the one hand, it **includes deductions in the field of sustainable mobility and energy efficiency and transition in personal income tax for the tax periods 2025 to 2035.** On the other hand, Article 65 of the Corporation Tax has been significantly amended, including several new sections for investments in decarbonisation and waste reduction facilities:

- **35 % deduction** in corporate tax liability for investments in: (1) equipment included in the Basque List of Clean Technologies (LVTL); (2) installations for power generation from renewable sources; (3) equipment and installations that consume energy from renewable sources; (4) equipment that facilitates the exclusive transport and distribution of renewable energy; (5) equipment for the capture of emissions and CO2 installations; as well as, (6) investments aimed at the reduction, recycling and recovery of waste material. Excellent large inverter

project lines complement the standardised LVTL technologies.

→ **15 % deduction** in investments in nature-based solutions (NBS) and Best Clean Technologies (BCTs) for zero pollution and sustainability, in investments for better water management and in expenses and investments for the comprehensive process of contaminated land remediation.

The Basque List of Clean Technologies is a fiscal instrument promoted by Ihobe, SPRI, EVE and the Basque Tax Authorities, designed to promote Basque environmental, climate and energy policy through technology transfer and the implementation of equipment with enhanced environmental performance.

MARKET DRIVER

New incorporations on the Basque List of Clean Technologies

The Basque List of Clean Technologies (LVTL) is **a fiscal instrument to promote sustainable development and facilitate the application of Basque environmental policy**, through technology transfer and the implementation of equipment with enhanced environmental performance. Clean technology" is understood to be any process, product or service that reduces negative environmental impact through significant improvements in energy efficiency, sustainable use of resources or environmental protection activities. The standard technologies included in this list provide companies with legal certainty and minimal administration.

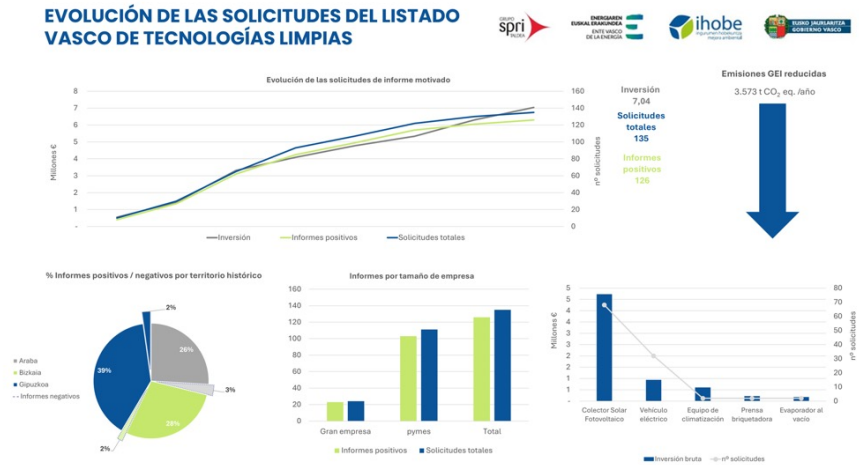
The main new incorporations on the LVTL for the comprehensive remediation are:

→ **Increase in the tax deduction percentage to 35 % of the cost** of the investment in equipment (previously 30 %).

→ **Inclusion of new fields**, such as climate adaptation, energy efficiency, electrification or circular economy. This will involve the extension of technologies and the withdrawal of more than 80% of the technologies from the 2024 List.

→ **Setting challenges.** Periodically, the Basque Government will prioritise a series of specific additional challenges that respond to climate-energy-environment planning and must be addressed by the selected technologies. The 2026 review sets out 10 challenges.

The **updated list is expected in the third quarter of 2026.**



These measures consolidate a favourable environment for sustainable investments in the Basque Country, as companies that integrate the environmental factor into their financial strategies will be able to access tax deductions and increase their competitiveness.

9.3. Funding for Transition

Private sector funding for sustainable transition was consolidated in 2025 as one of the strategic lines of European industrial policy. After several years focused on regulating sustainable investment, the current priority is to mobilise capital towards the real economy, making it easier for companies - especially SMEs - to undertake decarbonisation, energy efficiency, circularity and green digitalisation projects.

The European institutions have reinforced public funding instruments to accelerate the transition to a sustainable economy. First of all, the EC presented the **Competitiveness Compass** in January 2025, based on the recommendations of the Draghi Report and the Letta Report on the future of European competitiveness. This strategic framework seeks to restore Europe's dynamism and foster economic growth by focusing on three key areas: (1) innovation; (2) decarbonisation; and (3) security.

As part of the strategic framework established by the Competitiveness Compass, specific strategies have been included, such as the **Clean Industrial Deal** (CID). The main objective of the CID is to ensure the competitiveness and resilience of European industry through decarbonisation, and its main lines of action **include the mobilisation of €100 billion to support clean manufacturing in the EU**, through aid for the deployment of renewable energies and the creation of an Industrial Decarbonisation Bank, among other measures.

Subsequently, the EC submitted **(J) a proposal to amend the InvestEU Regulation** in February 2025, with the aim of further strengthening the EU's capacity to support strategic investments in areas such as the ecological transition. The proposal includes a €2.5 billion increase in the EU guarantee and the possibility of combining InvestEU with other legacy instruments, among other issues. With these two modifications, the EC expects to mobilise around €50 billion in public and private investment.

Furthermore, the EU has created the **(K) Strategic Technologies for Europe Platform (STEP)**, with the aim of moving towards strengthening its industrial and technological sovereignty. This platform acts as a coordinated channel that **redirects funds from numerous European programmes to innovative projects,** focusing on:

- Digital and innovative technologies.
- Clean and sustainable technologies.
- Biotechnologies.

To make it easier for SMEs to obtain credit, the EU Platform on Sustainable Finance has published a **(L) report to propose a simplified voluntary framework for banks and other financial institutions to classify lending to SMEs as sustainable finance**, while simplifying the disclosures to be made by SMEs. This standard enables SMEs to disclose their key performance indicators to their funders and to demonstrate their climate-related efforts, facilitating their evaluation and financial support.

MARKET DRIVER

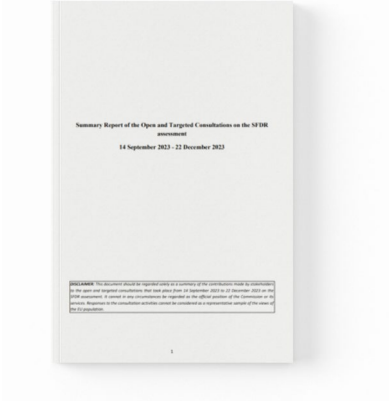
SME Sustainable Finance Standard

The objective of the SME Sustainable Finance Standard is to provide SMEs with a framework to help them demonstrate their climate-related sustainability efforts and thus **facilitate access to external finance** for such efforts.

To ensure that the sustainable financing provided to SMEs complies with the minimum environmental and social safeguards, the following elements are proposed:

1. SMEs **must comply with the laws** that apply to them.
2. SMEs **cannot finance activities that form part of the excluded sectors** as defined in the EU Paris-aligned Benchmarks Regulation.
3. SMEs **should report on the sustainability indicators of the simplified voluntary reporting standard proposed in the Omnibus I package**, which will be developed by the European Commission based on the VSME standard.

9.4. Transparency in the Financial Sector


Summary Report of the Open and Targeted Consultations on the SFDR assessment

14 September 2023 - 22 December 2023

The transparency of the financial sector on sustainability issues became even more important in 2025 as an essential vector to build trust, avoid greenwashing and ensure that sustainable financial products meet clear technical criteria. The **Sustainable Finance Disclosure Regulation** (SFDR) **is in an active review phase,** marked by a series of public consultations, regulatory proposals and supervised actions, which aim to improve its clarity, effectiveness and enforceability.

As part of the Omnibus I package presented by the EC in early 2025, the Commission proposed a review of this tool in the last quarter of 2025. **The review aims to examine issues, such as legal certainty, usability and the contribution of the regulation to combat greenwashing**. In this review, the EC has announced that input from stakeholders who participated in two consultations in 2023 will be taken into account. These consultations were reflected in the summary report of the SFDR evaluation consultations published by the EC itself in 2024. Furthermore, the EC launched a call for evidence to modernise the architecture of the framework in May 2025, which highlights that:

- **It is recommended that the fund categories** in Articles 6 (Non-sustainable funds - funds without sustainability objectives), 8 (Slightly sustainable funds - funds that promote sustainable features but do not have sustainable investment as their primary objective) and 9 (Sustainable funds - funds whose primary objective is sustainable investment) **are replaced with a more intuitive labelling system.**
- It is recommended that **technical standards are improved to simplify reporting formats** and more homogeneous PAI indicators are introduced.
- It is recommended **that DNSH criteria** are clarified and their relation to taxonomy.

In this context, the **EU Platform on Sustainable Finance published a report describing a proposal for a categorisation scheme.** The categories identified

by the Platform aim to reflect the overall objective of sustainability of financial products, focusing on the needs of retail investors.

MARKET DRIVER

Proposed categorisation under the SFDR framework

The report by the Platform on Sustainable Finance, *Categorisation of products under the SFDR: Proposal of the Platform on Sustainable Finance*, recommends categorising products under the SFDR with the following sustainability strategies:

- **Sustainable:** Contributions through taxonomy-aligned investments or sustainable investments that do not involve significantly harmful activities or assets, based on a more concise definition in line with the EU taxonomy.
- **Transition:** Investments or portfolios that support the transition to net-zero emissions and a sustainable economy, avoiding carbon lock-in, in line with the European Commission recommendations to facilitate the financing of such a transition.
- **ESG Collection:** Exclusion of significantly harmful investments or activities, investment in assets with better environmental and/or social criteria, or application of various sustainability-related features.

According to the Platform on Sustainable Finance, **the rest of the products should be identified as unclassified products.**

The rise in financial products labelled as "sustainable" has increased concerns about greenwashing. To address this issue, the European Union adopted **(M) Regulation (EU) 2024/3005,** better known as the ESG Rating Providers Regulation, in 2025, **amending the SFDR and the green taxonomy in order to strengthen consistency between the two instruments and increase financial market transparency.** This regulation introduces technical improvements to the definition of sustainable financial products, clarifies the application of the DNSH criteria and establishes a direct correspondence between the activities in the taxonomy and the investments declared under the SFDR.

9.5. Timeline

Q1 2025

Publication of the Omnibus package proposal, including the first package of simplification measures known as the Stop-the-Clock package (Directive 2025/794). Ⓐ **European**

Q1 2025

Approval of the Basque Green Tax Reform.
Ⓗ **Basque Country**

Q1 2026

Entry into force of the obligation to comply with EBA guidelines. **European**

Q4 2026

Entry into force of Delegated Regulation (EU) 2025/753 establishing the content, methodologies and presentation to be voluntarily disclosed by issuers of bonds marketed as European green bonds. Ⓗ **European**

Q1 2028

Entry into force of the taxonomy alignment reporting obligation for large companies not subject to NFRD (with data for the 2027 fiscal year). Ⓐ **European**

EBA report on the feasibility of extending the eligibility to use the designation of "European green bond" . Ⓒ **European**

Q3 2025

Publication of the second simplification package as part of the Omnibus package.
Ⓑ **European**

Q1 2026

Entry into force of the updated Basque List of Clean Technologies 2026. Ⓘ **European**

Q2 2026

Publicación de las conclusiones generales obtenidas del proceso de revisión de los criterios técnicos de selección de la taxonomía verde europea. Ⓑ **European**

Q1 2026

The European Commission will publish a report on the need to regulate sustainability-linked bonds, accompanied, if appropriate, by a legislative proposal. Ⓒ **European**

Q4 2028

EC report on the implementation of the European Sustainable Bond Regulation.
Ⓒ **European**

REGULATORY DRIVERS:

- Ⓐ Directive (EU) 2025/794 (Stop-the-Clock Directive)
- Ⓑ Proposal for the second simplification package of the Omnibus I package
- Ⓒ Regulation (EU) 2023/2631 on Green Bonds
- Ⓓ Delegated Regulation (EU) 2025/753 on Green Bond Methodologies
- Ⓗ New Green Tax Reform in the Basque Country
- Ⓘ Basque List of Clean Technologies

9.6. Implications Table

DRIVERS	LARGE COMPANIES	SMES	BASQUE ECODESIGN CENTRE VALUE CHAINS
(A) Directive (EU) 2025/794 (Stop-the-Clock Directive)	●	●	● ● ● ● ● ● ● ● ●
(B) Proposal for the second simplification package of the Omnibus I package	●	●	● ● ● ● ● ● ● ● ●
(C) Regulation (EU) 2023/2631 on Green Bonds	●	●	● ● ● ● ● ● ● ● ●
(D) Delegated Regulation (EU) 2025/753 on Green Bond Methodologies	●	●	● ● ● ● ● ● ● ● ●
(E) Guidelines of the European Banking Authority (EBA)	●	●	● ● ● ● ● ● ● ● ●
(F) Green Paper on Sustainable Finance	●	●	● ● ● ● ● ● ● ● ●
(G) Order ECM/44/2025 on the Sustainable Finance Council	●	●	● ● ● ● ● ● ● ● ●
(H) New Green Tax Reform in the Basque Country	●	●	● ● ● ● ● ● ● ● ●
(I) Basque List of Clean Technologies	●	●	● ● ● ● ● ● ● ● ●
(J) Proposal to amend the Invest EU Regulation	●	●	● ● ● ● ● ● ● ● ●
(K) Strategic Technologies for Europe Platform (STEP)	●	●	● ● ● ● ● ● ● ● ●
(L) SME Sustainable Finance Standard	●	●	● ● ● ● ● ● ● ● ●
(M) Regulation (EU) 2024/3005 on ESG rating activities	●	●	● ● ● ● ● ● ● ● ●

Automotive
Construction
Power generation and distribution
Distribution
Metal
Lifting equipment
Transport equipment
Production of power generation & transmission equipment
Financial

Level of involvement

High Medium Low

10. Circular skills

The transition towards a more circular economy is creating new employment opportunities and skills.

Since 2024, the Basque Circular Hub's *Basque Circular Skills Analysis Platform* has identified and monitored the innovative skills (knowledge and abilities) in the field of the circular economy that are required by the market for higher education profiles.

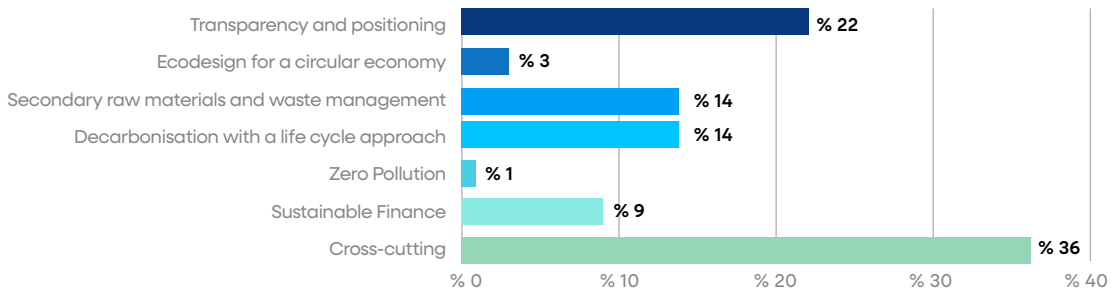
The platform combines two complementary methodologies:

- A **short-term analysis based on the systematic review of job offers** published on different digital portals, following pre-established criteria to identify decision-making positions linked to the circular economy.
- A **medium-term analysis** that uses the information compiled in this Strategic Environmental Monitoring Report on the Circular Economy.

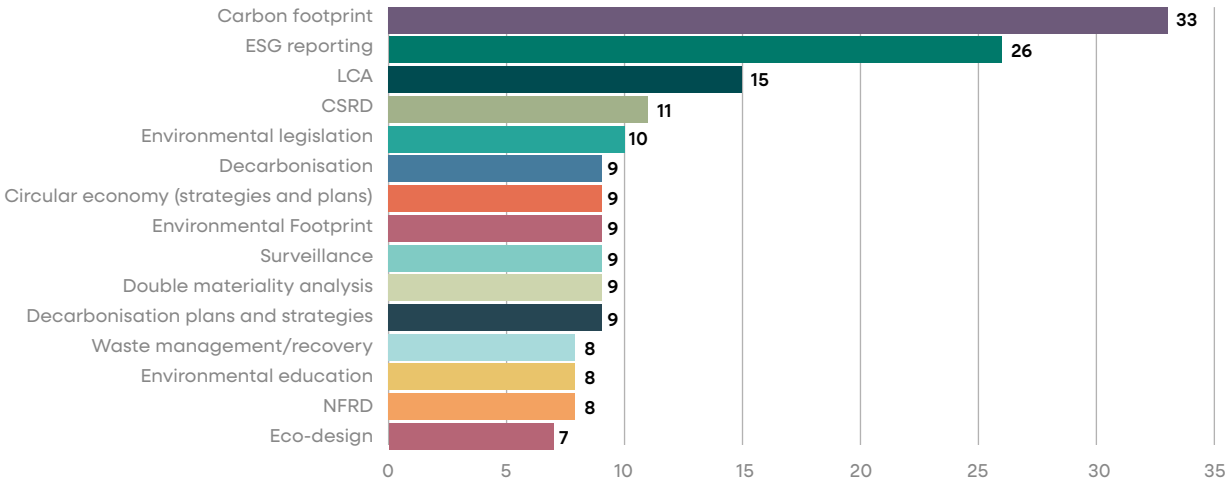
The 2024-2025 Results Report was presented in November 2025.

Results of the analysis of job offers (short-term)

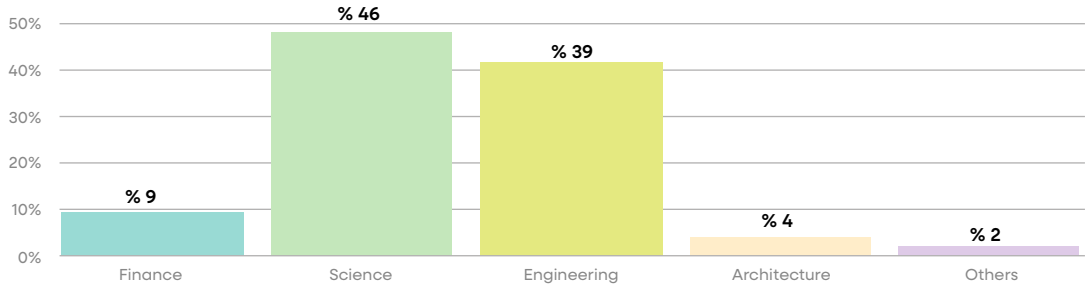
The results of the analysis of job offers show that the demand for circular skills is in a growth phase, as well as diversification. Transversality is one of the most outstanding features. **Companies also require multidisciplinary profiles**, capable of addressing regulatory and market challenges, combining technical knowledge with strategic vision and analytical skills.



The technical skills in the highest demand reflect a clear priority **towards environmental assessment and reporting**. Organisational and product carbon footprint top the list, having been mentioned 33 times, followed by ESG reporting and life cycle analysis (LCA). 44.1% of the skills identified correspond to advanced methodologies.



In terms of the training required, the results show that the majority of offers are aimed at science and engineering profiles, which jointly account for 85% of the demand. However, profiles in Finance and Business Administration are gaining weight, especially in positions related to CSRD, NFRD, European taxonomy and sustainable finance.



Results of the medium-term analysis

The prospective analysis carried out on the basis of the strategic monitoring identifies the skills that will be necessary to enable Basque companies to address the regulatory, technological and market changes that will intensify over the coming years. Based on these drivers, six blocks of future skills have been established:

Areas	Skills
Environmental Impact Assessment	Carbon footprint, LCA, calculation of recycling yields and circularity indicators and use of specialised tools and software.
Transparency Requirements	Handling and interpretation of large volumes of data according to recognised frameworks, transforming them into useful information for decision-making, as well as reporting and verification systems.
Transformation of Production Processes	Incorporation of advanced technologies that reduce pollution, increase efficiency and optimise re-use, recycling or remanufacturing operations.
Sustainable Product Development	Design and implementation of circular ecodesign strategies that integrate durability, repairability and recyclability criteria, as well as the use of secondary raw materials and the application of LCA methodologies.
Sustainable Management of the Value Chain	Skills in risk analysis, sustainability and traceability of supply.
Sustainable Finance	Skills related to the classification of activities according to the taxonomy, validation of the DNSH principle, assessment of climate risks and quantification and monetisation of non-financial impacts.

Digital skills applied to traceability and the automated processing of environmental data will also acquire special relevance, as well as the use of monitoring technologies, data analysis and simulation of processes and products, along with skills in modelling and traceability of materials. These will be joined by **transversal skills related to organisational change management and innovation in circular business models.**


Basque
Ecodesign
Center


GRUPO
spri
TALDEA


ihobe
ingurumen hobekuntza
mejora ambiental


EUSKO JAURLARITZA
GOBIERNO VASCO