The circular leverage

Could a Dutch fossil plastics tax serve as Europe's circular blueprint?

Executive Summary

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The EU consumed 55.2 million tonnes of plastics in 2022, or 105 kg per person, and this volume depends on continued fossil fuel extraction. Under business as usual (BAU), the global plastics sector would emit 7 Gt CO2e a year by 2050, with cumulative emissions of 129 Gt CO2e, or 32% of the entire 1.5°C budget. Recycling, low-carbon production, bio-based feedstocks and carbon capture cannot close this gap on their own. Ultimately, limiting global warming requires reducing consumption of plastics significantly within the coming years.

Effective policy measures to reduce demand are currently scarce; virgin material use remains largely unpriced, while labour-intensive circular business models such as reuse and repair are heavily taxed. EU-level measures to curb virgin material consumption are unlikely to be introduced in the forthcoming Circular Economy Act. This is why Member States must take the lead. The Dutch 'circular leverage' proposal (*de circulaire hefboom*), put forward by the Plastic Tafel,[1] would tax the share of virgin fossil plastic in products placed on the market, using Digital Product Passport (DPP) data. Revenues would feed a 'transition fund for the circular economy'. The tax is supposed to narrow the price gap with recycled and bio-based alternatives (bio-based resins cost 1.5–2 times more than fossil ones) and rewards reuse, repair, and sharing models. It would apply to all products on the market, so Dutch producers are not disadvantaged against foreign ones. Roll-out would start with textiles and construction materials in 2027 and cover all product categories later on. The Dutch government's initial analysis found no legal grounds preventing a national levy.

The proposal is untested and holds opportunities as well as risks: the DPP could face delays, and there is limited traceability of plastic content in packaging, as well as the risk of misleading mass-balance accounting. Moreover, harmful bio-based substitution and the conflation of circular and bio-based concepts must be avoided. The tax level must also follow the required consumption cut in line with the climate goals, not merely match the virgin–recycled price gap, and the revenues must support the whole waste hierarchy, including reuse and repair. Finally, a lone national frontrunner limits the impact, while a coordinated effort of countries at the EU level could amplify its positive effects.

Concrete recommendations put forward in this paper are:

- Align the Dutch design process with EU DPP development, ensuring the data granularity needed for a material-based tax, and speeding up delegated acts.
- Find alternative arrangements (other taxes or EPR fees) for products and packaging outside the DPP.
- Direct fund revenues to all tiers of the waste hierarchy: prevention, reuse, repair and remanufacturing, not only recycling.

[1] i: A Dutch consortium of industry (plastics, chemicals, food), recyclers, PROs, and civil society.

- Share knowledge between Member States and work towards a harmonised EU-wide tax on virgin fossil plastics, avoiding Single Market fragmentation.
- Monitor growth in bio-based plastics closely and apply safeguards such as the cascading use principle.
- In the long term, extend a harmonised approach to consumption of other virgin materials, aligning EU material consumption with planetary boundaries.

Zero Waste Europe (ZWE) is the European network of communities, local leaders, experts, and change agents working towards a better use of resources and the elimination of waste in our society. We advocate for sustainable systems; for the redesign of our relationship with resources; and for a global shift towards environmental justice, accelerating a just transition towards zero waste for the benefit of people and the planet.
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