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General Law on Circular Economy

On January 19, 2026, the Decree issuing the General Law on Circular Economy (“LGEC”) was published in the Official Gazette of the Federation, and various provisions of the General Law on Ecological Balance and Environmental Protection (“LGEEPA”) and the General Law for the Prevention and Comprehensive Management of Waste (“LGPGIR”) were amended and supplemented. The LGEC will enter into force the day following its publication in the Official Gazette of the Federation, that is, January 20, 2026.

The LGEC represents a fundamental change in the way Mexico addresses production, consumption and waste management. This regulation is of public order, social interest and general observance throughout the national territory, and its purpose is to transform the traditional linear economic model (produce-use-discard) into a circular one that maximizes the value of resources and minimizes waste.

Circular Economy: Concept and Scope

Prior to analyzing the specific obligations established by the LGEC, it is essential to understand the central concept that supports it.

The Circular Economy is the economic model of sustainable production and consumption that includes systemic solutions for economic development, reducing environmental impact through technical and biological cycles that allow the sustainable permanence and reintegration of materials into the economy. In practical terms, this model is based on the following three guiding principles:

- 1) Eliminate waste and pollution from design;
- 2) Keep products and materials in use for as long as possible; and
- 3) Regenerate natural systems.

In essence, it is a system in which products do not end their existence at the end of their useful life, but their components are reintegrated as raw materials for new production cycles. This principle constitutes the foundation of the Circular Economy.

Key Concepts

For the correct interpretation and application of the LGEC, it is essential to understand the following fundamental concepts:

- » The **Life Cycle** comprises the consecutive and interrelated stages of materials, products or waste, from extraction, production, useful life, comprehensive waste management, Circular Use or, where applicable, final disposal. This concept is based on the idea that the stage of responsibility is not limited to manufacturing but encompasses the entire journey of the product.
- » **Circular Management** is the set of strategies applied throughout the Life Cycle of materials, products or waste, including Circular Design, to achieve the lowest Environmental Footprint and

maximum Circular Use. This instrument constitutes the governing document that producers and importers must register with SEMARNAT.

- » **Extended Producer Responsibility (EPR)** is the mechanism by which the producer or importer assumes environmental responsibility for their product throughout its complete Life Cycle.

This concept represents a fundamental change: the producer or importer of a product is responsible for what happens to it **even after the consumer uses it**. This responsibility is implemented through Circular Management, which must be registered with SEMARNAT. This principle is similar to the shared responsibility established in the LGPGIR.

- » **Secondary Raw Material** is the material, substance or object that, after its production, use or consumption, retains properties that allow its processing, regardless of whether it derives from the Circular Management of a product or waste.

This concept is important because it recognizes economic value in what was traditionally considered waste.

- » **Circular Use** comprises actions whose objective is to maintain or enhance the economic value of materials and products, or to recover the economic value of waste, through the application of direct and indirect circularity mechanisms.
- » **Product** is the physical good that is manufactured or imported, or the service that is provided, which has economic value and is generated as a result of a process of activities that includes the transformation of materials.
- » **Circular Design** is the design of the product that considers the Environmental Footprint with a comprehensive approach and incorporates direct and indirect principles and mechanisms of circularity in its Life Cycle. This means that, from the design stage, strategies for repair, reuse, recycling or recovery of the product at the end of its useful life must be considered.
- » **Circularity Mechanisms** are the strategies through which the principles of Circular Economy are applied. The Law distinguishes between two types:

Direct Mechanisms are those that apply circularity principles directly to the Life Cycle of products, materials and waste, such as reuse, reduction, redesign, refurbishment, recovery, processing, recycling, recovery, classification, repair and remanufacturing.

Indirect Mechanisms are those that apply circularity principles through Sustainable Linkage and environmental compensation.

- » **Sustainable Linkage** refers to the links between buyers and sellers, in productive units or economic sectors, that involve the exchange of materials, products and waste under Circular Economy criteria. In practical terms, what constitutes waste for one company can become raw material for another.
- » **Environmental Footprint** is the measurable environmental impact through Circular Economy indicators, derived both from the activities necessary to generate a product and from the characteristics of the product that allow maximizing its useful life and its Circular Use as waste.

National Circular Economy System

SEMARNAT presides over the National Circular Economy System, which comprises the following agencies:

- Ministry of Economy
- Ministry of Finance and Public Credit
- Ministry of Energy
- Ministry of Agrarian, Territorial and Urban Development
- Ministry of Infrastructure, Communications and Transportation
- Ministry of Public Education
- Ministry of Science, Humanities, Technology and Innovation
- The federal entities

This composition shows that the Circular Economy is not only an environmental matter, but represents a transversal change that involves the public administration as a whole.

Circular Economy Registry and National Platform

The LGEC is creating the Circular Economy Registry, defined as the public registry installed on the National Platform whose role is to register Circular Management. In turn, the National Platform refers to the Platform of the National Public Information System on Circular Economy.

This platform will constitute the central digital tool through which producers and importers will register their Circular Management and report compliance with the corresponding obligations.

Coordinating Organizations: Key Actors

The Coordinating Organization is the legally constituted associative entity of a public, private or mixed nature whose purpose is to promote the principles of Circular Economy in economic activity. This organization has representation to promote and defend the activities of the producers who manifest their incorporation, and is jointly responsible for Circular Management in the productive sector it represents.

These organizations, which can be constituted as industrial or commercial chambers, will play a fundamental role as intermediaries between the private sector and the authority.

Obligations of Producers and Importers

1. Inclusion in the Registry

Once SEMARNAT publishes a general EPR implementation agreement in the Official Gazette, producers and importers included in this agreement will be required to prepare the corresponding Circular Management and request its inclusion in the Registry, within the deadlines established by the agreement itself.

It is important to note that this obligation does not arise automatically for all sectors from the entry into force of the Law. SEMARNAT will issue specific sectoral agreements that will determine the deadlines and compliance modalities applicable to each sector.

2. Content of Circular Management

The application for registration of Circular Management must contain: (i) a Life Cycle Analysis by product category; (ii) the applicable direct or indirect circularity mechanisms and the corresponding goals; (iii) the coordination agreement, when it has been signed; and (iv) the other requirements established by the general EPR implementation agreement.

Life Cycle Analysis constitutes the Life Cycle evaluation tool in accordance with the terms established in the general EPR implementation agreements. However, when this analysis is environmentally, technically or economically unfeasible, the application may contain a Life Cycle study under the terms provided in the corresponding general agreement.

3. Circular Design Obligation

Producers and importers are obliged to generate or develop products with Circular Design, when this is environmentally, technically and economically viable. The LGEC recognizes that not all products can be redesigned immediately, but establishes this obligation when feasible.

4. Financing Obligation

Producers and importers are required to organize, promote and, where applicable, finance the Circular Economy schemes for the products they generate or import. This may include collection systems, recycling centers or remanufacturing programs.

5. Periodic Reporting Obligation

The producer, importer or Coordinating Organization must provide the Ministry with the corresponding reports and documents, in accordance with the obligations provided in the Circular Management registered in the Registry, within the deadlines established in the applicable legal provisions.

This underscores the importance of transparency and monitoring as fundamental pillars of this new system.

Likewise, the Coordinating Organization has the obligation to promote strategies to implement direct and indirect circularity mechanisms in production processes, as well as actions that maximize the useful life of the product and promote the Circular Economy.

Additionally, the Coordinating Organization is jointly responsible with the production sector it represents in the preparation of the Circular Management that the producer or importer must register on the National Platform, as well as in compliance with the actions derived from this Management.

Obligations for Consumers

The LGEC also establishes obligations for the general population:

- » The population has an obligation to engage in Responsible, informed and sustainable Consumption of products, giving preference to those that are durable and generated through efficient use of water and energy, as well as to avoid single-use products.
- » Responsible Consumption is defined as the acquisition, use and disposal of the product in an informed manner regarding the environmental and social effects that such goods and services involve.

- » Likewise, the population must adopt Circular Use measures that optimize the useful life of the product, opt for Service Models when they are offered, and reduce the generation of waste, as well as the waste of water, energy, products and food.

The Service Model is defined as the business strategy based on the transition from a linear economy model to a circular one, aimed at maximizing the useful life of the product.

Likewise, the population has the obligation to separate waste in their homes according to the classification system established, as well as to make maximum use of materials and waste through composting processes, circularity mechanisms and Inclusive Recycling practices.

Inclusive Recycling is defined as comprehensive management models that recognize the work of grassroots recyclers or waste pickers, and that promote their inclusion under the applicable labor and social legal provisions.

General Prohibitions

The LGEC establishes clear prohibitions to combat so-called “greenwashing” and other harmful practices:

- Creating or using false information about the environmental characteristics of one or more products is prohibited, as is creating or using information about the development of processes adhering to Circular Economy criteria when such information is false.
- Any actions that prevent the maximization of the product’s useful life and its Circular Use are prohibited. This provision aims to directly combat planned obsolescence practices.
- Using the National Circular Economy Seal on products without the corresponding authorization is prohibited, as is using any label or seal that may confuse consumers. The National Circular Economy Seal is authorized by SEMARNAT to identify products that comply with the principles and criteria of Circular Economy, and provides truthful, verifiable and accessible information to the consumer.

Forms of Compliance

The LGEC recognizes that there is no single solution applicable to all obligated parties, and therefore provides for various modalities of compliance:

1. Direct Compliance

Direct compliance occurs when the producer or importer applies Direct Circularity Mechanisms without the intervention of third parties. For example, a company that establishes its own collection and recycling system for its products.

2. Indirect Compliance

Indirect compliance occurs when the producer or importer applies Indirect Circularity Mechanisms with the intervention of third parties, either through agreements made for Sustainable Linkage or through environmental compensation.

Environmental Compensation

Extended Producer Responsibility can also be met through environmental compensation measures when, for duly justified reasons, the producer, importer or Coordinating Organization is unable to comply with the obligations provided under the EPR scheme.

In cases where environmental compensation measures are applied, they must mitigate or reverse the impact proportionally to the Environmental Footprint. Such measures may consist of:

- » Ecological restoration;
- » Conservation and preservation of protected natural areas;
- » Repair of environmental damage;
- » Reforestation;
- » Reduction of polluting emissions, and
- » Acquisition or generation of certified financial instruments, such as green bonds or carbon credits.

Principle of Graduality

One of the most significant provisions for the production sector is the recognition that the transition to the Circular Economy cannot be carried out immediately.

SEMARNAT, through general EPR implementation agreements that must be published in the Official Gazette, may establish differentiated graduality for compliance with circularity provisions, through goals it sets based on the economic, financial and technological capacities of each producer, production or importation, particularly for micro, small and medium enterprises.

The Principle of Graduality consists of the progressive adjustment of direct and indirect circularity mechanisms through the issuance of general EPR implementation agreements, the definition of goals, the execution of coordination agreements and the implementation of other measures provided in the LGEC.

SEMARNAT must establish graduality schemes and goals for compliance with the obligations arising from the LGEC and, for this purpose, may sign coordination agreements with the producer, importer or with the corresponding Coordinating Organization.

This means that companies will have staggered goals and reasonable deadlines for their adaptation, particularly micro, small and medium enterprises.

Deadlines

1. Regulation

The Federal Executive, within one hundred and eighty calendar days following entry into force of the Decree, must issue the regulation(s) of the LGEC.

Deadline: July 18, 2026.

2. National Circular Economy Program

The National Circular Economy Program must be published in the Official Gazette within a period no longer than one hundred and eighty calendar days following the publication of the Regulation.

The National Program will establish the objectives, strategies and lines of action on the matter.

3. Harmonization

Within the period of one hundred and eighty calendar days following the entry into force of the LGEC, the legislatures of the federal entities will adapt and harmonize their legislation with the provisions of the LGEC.

Deadline: July 18, 2026.

Sanctions Regime

Failure to comply with the obligation to provide reports or documents to the Ministry will result in the imposition of administrative sanctions provided in the LGEEPA.

This is without prejudice to civil liability for environmental damage, as well as criminal sanctions that may apply when actions or failures to act constitute crimes under applicable legislation.

Final Considerations

The General Law on Circular Economy represents a paradigm shift in the Mexican regulatory framework that transcends the scope of a new regulatory obligation. This legislation constitutes a fundamental transformation in the way production activities, consumption patterns and the relationship with natural resources are conceived.

For companies, the message is clear: the future belongs to those who manage to design durable, repairable and recyclable products, assuming comprehensive responsibility for their Life Cycle.

For consumers, it constitutes a call to exercise Responsible Consumption and to actively participate in the separation and Circular Use of waste.

For authorities, it represents a mandate to establish the institutional, technical and financial mechanisms that make this transition viable.

The Circular Economy is not only a legal obligation, but represents an opportunity for innovation and competitiveness and, above all, to build an economically sustainable model over time that does not exhaust the planet's natural resources.

Recommendations

- » Stay informed regarding the publication of the Regulation and the general EPR implementation agreements applicable to your sector.
- » Begin evaluating the Life Cycle of your products and identify opportunities to implement Circular Design.

- » Explore strategic alliances with other actors in your value chain to implement Sustainable Linkage schemes.
- » Evaluate the convenience of joining existing Coordinating Organizations or, where applicable, promoting the creation of new sectoral organizations.
- » Train your organization's personnel on the concepts, principles and obligations derived from the Circular Economy.

We remain at your service to analyze the specific impact of this new legislation on your operations and provide you with the necessary legal advice to ensure timely compliance with the obligations arising from the General Law on Circular Economy. At **Pérez-Llorca** we are prepared to accompany you in the design and implementation of Circular Management strategies adapted to the specific needs of your organization.

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