Circular Economy Act

The European Commission meets Municipal Waste Regulators

8 May 2025, Rome
ARERA, Via dei Crociferi 19

What happens on May 8 in Rome

- Meeting between DG Environment and the Group of Municipal Waste Regulators, promoted and hosted by ARERA
- Commission to report on the preparatory work of the Circular Economy Act
- Regulators are invited to react, comment and submit proposals

Why it matters

- Recognition of municipal waste regulators as an institutional interlocutor integrated into the decision-making process
- Possibility to have a say “in the making”, i.e. to deliver messages and positions even before the Commission prepares the legislative proposal

What is the Circular Economy Act

- Qualifying objective of the Roswall mandate
- Envisaged by the Commission's work plan by 2026, actually accelerated by the anticipations of the Clean Industrial Act
- A set of plans, indications and legislative proposals aimed at increasing the circularity rate of the economy, from the current 11-12% to 24% by 2030

Items announced as being part of the CEA

- EOW
- EPR strengthening
- Boost recycled content in new products

What CEA will contain: “likely" issues

- Push for greater EPR efficiency
- Creation of a digitalised internal market for recycled materials, through standardisation, certificates of origin and enhanced use of recycled products
- Reduction of the gap between RRM and VRM prices (subsidies? Raising the minimum obligations for the use of MPS? Other methods to promote economies of scale?)

How and where can regulators contribute?

- EPR: limited competencies, but useful expertise on efficiency-driven policies
- Internal market: contribution to standardisation and certification, monitoring of outcomes and establishment of cross-border mechanisms, experience in tradable certificates
- Cost efficiency of the supply chain (primarily on the part directly overseen)

Proposed messages (to be discussed)

Different starting points, shared objectives

- There are diverse situations and systems in MSs regarding circularity and waste management. Therefore, CEA should not only include one-size-fits-all targets but also adequate flexibility.
- National economic regulators are ready to fulfil potential new tasks and eventually play stronger roles under the CEA but at the same time need to be adequately authorized in order to be effective.

Economic rationality in environmental protection policies

- Flexibility of national targets: just as packaging national targets are also achieved through packaging waste exported and recycled elsewhere, we can imagine that the overall target of MW recycling can be achieved by recycling in more efficient Countries/regions
- Consistently, it is also possible to imagine mechanisms like emissions trading or energy efficiency certificates (tradable certificates equivalent to recycling quotas necessary to achieve the targets)
- Incentives vs. “command and control” approach: promoting tools for participation in the economic benefits of circularity (example: value/profit sharing in favor of municipalities and operators able to increase the recyclability of sorted materials)
- Comparability, standardization, pushing for common rules for EOW (downstream dimension) and for the quality of collections and materials (upstream)

Efficiency first

- In the chain's parts under the control of regulators, promote the progressive reduction of the cost of recycling through incentive for efficiency (minimum cost for any given level of quality)

Organization of the markets

- The mostly local dimension of MPS markets hampers the assessment of their functioning and reduces the effectiveness of price formation mechanisms
- We need integrated, possibly digitized, interconnected markets, both for secondary raw materials and, where possible, for recyclable waste

Integration

- Support the efficient use of resources through a cross-sectoral approach, favour the largest and rational access of the economy to byproducts of waste management
- More energy from biowaste requires a consistent regulatory framework
- Spreading the use of secondary raw materials calls for cost control and efficiency-driven regulation in the municipal waste management chain
- Share «good practice» and regulatory principles in public services like waste and water, taking into account differences and commonalities (although waste is often described as not being a network-based sector, the integration of the chain aimed to reach the circular economy builds on virtual and physical network of services, plants and technologies)
- An interesting topic for regulatory integration: EPR

Governance

- As circular economy requires increasing efforts, decision-making mechanisms and relations between levels of government can not be disregarded
- An effective distribution of tasks and objectives and clarity in roles are key factors in successfully promoting municipal waste management policies
- Fragmentation, the predominantly local nature of waste management and the widespread coincidence between public ownership, customer and operators hinder the pursuit of objectives and do not promote responsibility

Accountable, result-driven institutions to support circular economy

- In promoting a more effective circular economy, a rational and effective governance is a key success factor
- Result-driven policies require third-party, equidistant and accountable entities that measure performances and brings the system on the way towards efficient outcomes

Transparency

- In the awareness of consumers/citizens: greater visibility of the effect on final prices of EPR contribution adjustments
- In the evaluation of the efficiency of EPRs or comparable systems: we need clear, published and comparable financial/technical figures
- In the functioning of the integrated market for recyclated/recyclables: auction mechanisms, prices and technical quality published and comparable (also regulated?)

Acknowledging the role of regulation

- Adoption of the regulatory principles of efficiency, minimum quality criteria and protection of the customer/consumer/citizen
- An example of practical application: in addition to the eligible costs to be covered by EPRs, introduce recycling cost monitoring and incentives for supply chain efficiency

How we did get here

Issues proposed by this presentation are not new. During the three joint workshops organised by the Regulators' Group, many of the topics touched on by the CEA were addressed

- *June 2024: Governance – what regulators do, how they interact with other institutions, what needs (old and new) they respond to*
- *December 2024: Costs and Tariffs – tariff formation mechanisms, outcomes, international comparison, why cost monitoring and tariff policies are important levers in approaching the circular economy*
- *April 2025: EPR – Excellent results so far in terms of recycling objective, and yet: processes can be improved, economics to be reviewed, transparency to be enhanced*

Where do we go from here: Summary and Way forward

Policy objectives are given, but "how" they are achieved matters. Regulators make it their mission to achieve them at the lowest cost to the community

Cost minimisation and efficiency-driven rules are at stake in current and future MW developments: Circular Economy require a more capital-intensive industry

Municipal Waste sector is too complex to expect all stakeholder to converge towards the environmental objectives: a rational governance model is needed; Independent entities help avoiding conflicts of interest and make the ownership neutral