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Municipal Waste EPR Schemes between Market and Regulation

Policy Brief

3rd Workshop on the Economic Regulation of Municipal Waste

Brussels, 9 April 2025

EPR between Market and Regulation

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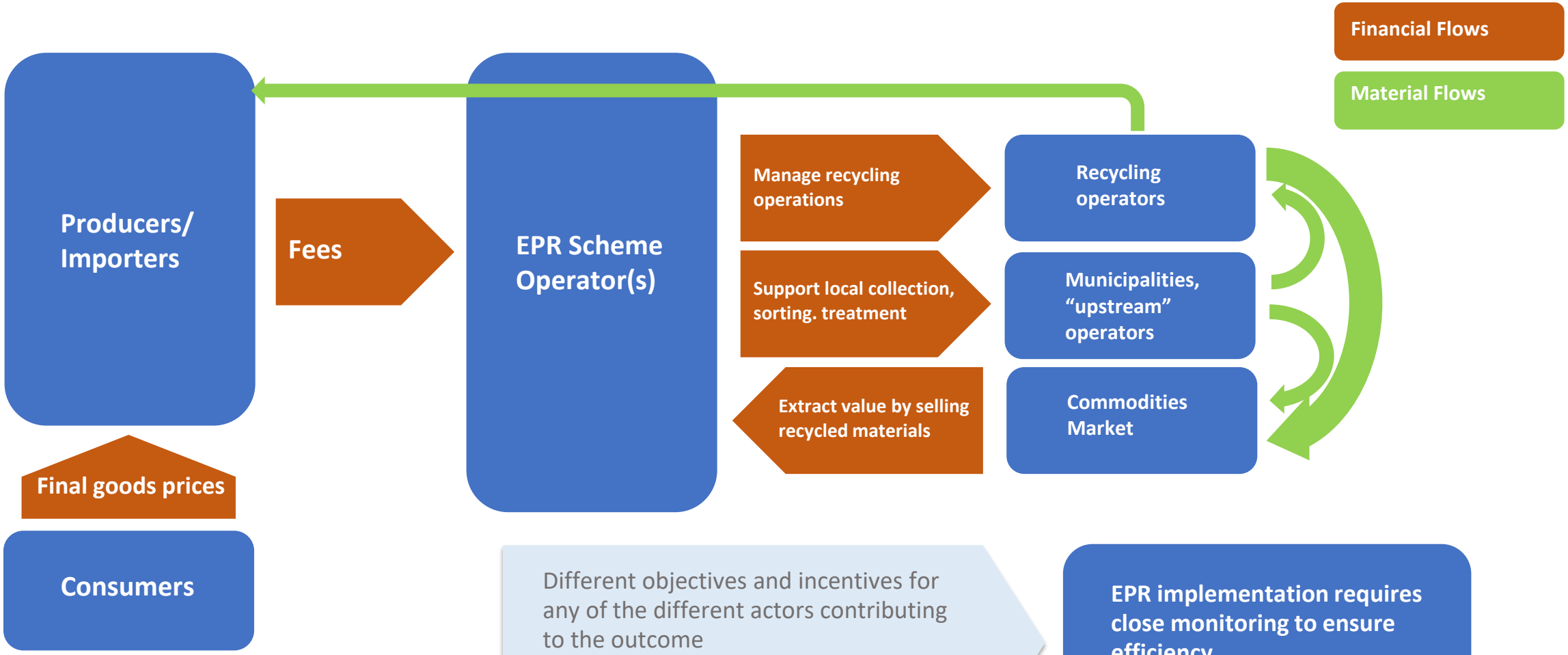
- ❑ EPR Schemes in the “Regulated” Member States: a simple model
- ❑ Insights from Evidence
- ❑ Room for Improvement
- ❑ Way(s) ahead
- ❑ Further Research

EPRs Simplified Model



Insights from Evidence

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Costs on the rise …..

- Regulators are committed to control costs in the chain's part they are responsible for (Italy's case: 1.2 B€ related to separate collection, under scrutiny)
- A larger denominator, i.e. increasing quantity and quality of separate collection, reduces the overall system costs through higher revenues from recycled materials sale – however , technical variables are somehow exogeneous
- What about the "nonregulated" part of the chain? Industrial average costs of recycling are increasing – energy crisis has an impact, but the increase in costs seems to be a medium-long term pattern
- **Downstream needs efficiency policies, too. This does not necessarily mean extending regulation scope – what if a significant share of EPR fees would go to R&D expenditure, so to cope with technological constraints? This might also be obtained by modulating fees in relation to recyclability of waste**

… And prices down

- Eurostat displays a significant decrease in secondary raw materials price, overall (differences exist)
- In principle, the contrasting dynamics of recycling costs and recycled materials prices means that EPRs bear all the risk. However, schemes can always pass on participants the economic loss, which in turn can be passed on to consumers
- **Systematic risk must be reduced, and consumers' exposure to random fee adjustments should be countered as well**
- **A first step towards reducing market risk is to establish a functioning cross-border market, for both recycled materials and recyclables. More transparency in price-setting mechanisms would help**

Room for Improvement

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Enhancing EPR systems to reach objectives at the least cost

- Act on the "overseen parts of the chain" to make the system more efficient
- Focus on reducing system costs, rather than on distorting subsidies
- Market vs. public dimension: smoothing price risk taken by both EPRs and consumers
- Making recyclable materials effectively tradable, through standardisation, certification and more transparency and interoperability of EPRs

Relevant tasks for regulation authorities

- MW tariffs oversight – Closely looking at and control cost dynamics of the waste chain (sorted/unsorted collection, pre-treatment, integrated operations)
- Quality and cost-efficiency of sorting - Increase the recycled share of MW, also through profit/revenue sharing schemes which allow operators to retain a share of revenues from selling recyclables
- Accounts unbundling – Enhancing transparency, setting up efficiency-driven tariffs
- EPR fees setting – Making fees cost reflective, ensuring the required coverage of upstream costs

Regulators' role and contribution

- Due to their monitoring responsibilities over the value chain of waste management, regulators can identify and recommend strategic initiatives for the EU to explore, expected to have a balanced impact on the two fundamental pillars of a transition to a more circular economy: **achieving environmental targets and optimising efficiency**

Way(s) Ahead: Identify, Understand, Act

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Issues along the chain		National Regulators	EU
Municipal Waste Services	Quality of sorting activities as a contribution to more/better recycling	Quality-of-services regulation, tariff incentives	Objectives already there, prioritising incentives
	Waste management cost effectiveness	Oversight, tariff regulation, price capping, operations driven by incentives	Recognition of the role of economic regulation
Recycling	EPR Chain cost-effectiveness overall	Oversight, but limited action possible	Cost-efficiency criteria extended? (art. 8)
	Fees management effectiveness, technical progress	Oversight, more action possible if tasked with downstream regulation	Monitoring mechanisms, rules for fee revenues allocation
Secondary Raw Materials	Market integration	Oversight, standardisation High potential from EU-wide collaboration and information exchange	Building of an EU-wide recyclables and recycled materials market, linking national EPRs and EPR with non-EPR trading

Issues to be further researched

Researching cost-effectiveness

- Upcoming study promoted by MEKH will analyze, describe and compare the EPR schemes
- The plan is to assess specific costs in “regulated Member States” and throughout the EU, with reference to a selected set of waste streams and to the different parts of the chain (collecting/managing/recycling)
- Starting from the waste experience, the study aims to extending the analysis to the wastewater sector, which recently joined the EPR club. Intermediate results to be presented at the EFWRS Conference of December 4 in Brussels

Medium-term research topics of interest

- Do economies of scale exist? (evaluate at EPR/Country/Macroregional level)
- Integrate environmental and economic costs of transport, so to correctly evaluate the convenience of cross-border trade
- Explore opportunities for cost-reducing activities, on the supply side of recycling
- EPR fees better used to promote innovation?

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Thank you for your attention

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