European Water Regulators

3rd Workshop on the Economic Regulation of Municipal Waste

Extended Producer Responsibility Schemes in Hungary

09 April 2025 – XX:XX - XX:XX

Waste management public function at the national level in Hungary

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Waste management public function at the national level - exercised by the Hungarian State exclusively

(municipal waste)

The Hungarian State **transferred** his right to carry out waste management public function at the national level to a **concessionaire** in a concession contract

Concession company established by the concessionaire to exercise the right to carry out waste management public function at the national level

The concession company involves **(Concessionary) subcontractors** to fulfil the waste management public function at the national level-related obligations.

Integrated public waste management service
- A subsystem itself -

Integrated waste management services to institutions
- Comprises of 4 subsystems: -

Separately collected waste of property users
(natural persons and public institutions)

Mixed municipal waste
(of natural and non-natural persons)

Extended Producer's Responsibility (EPR) System

Waste of products falling under the scope of EPR

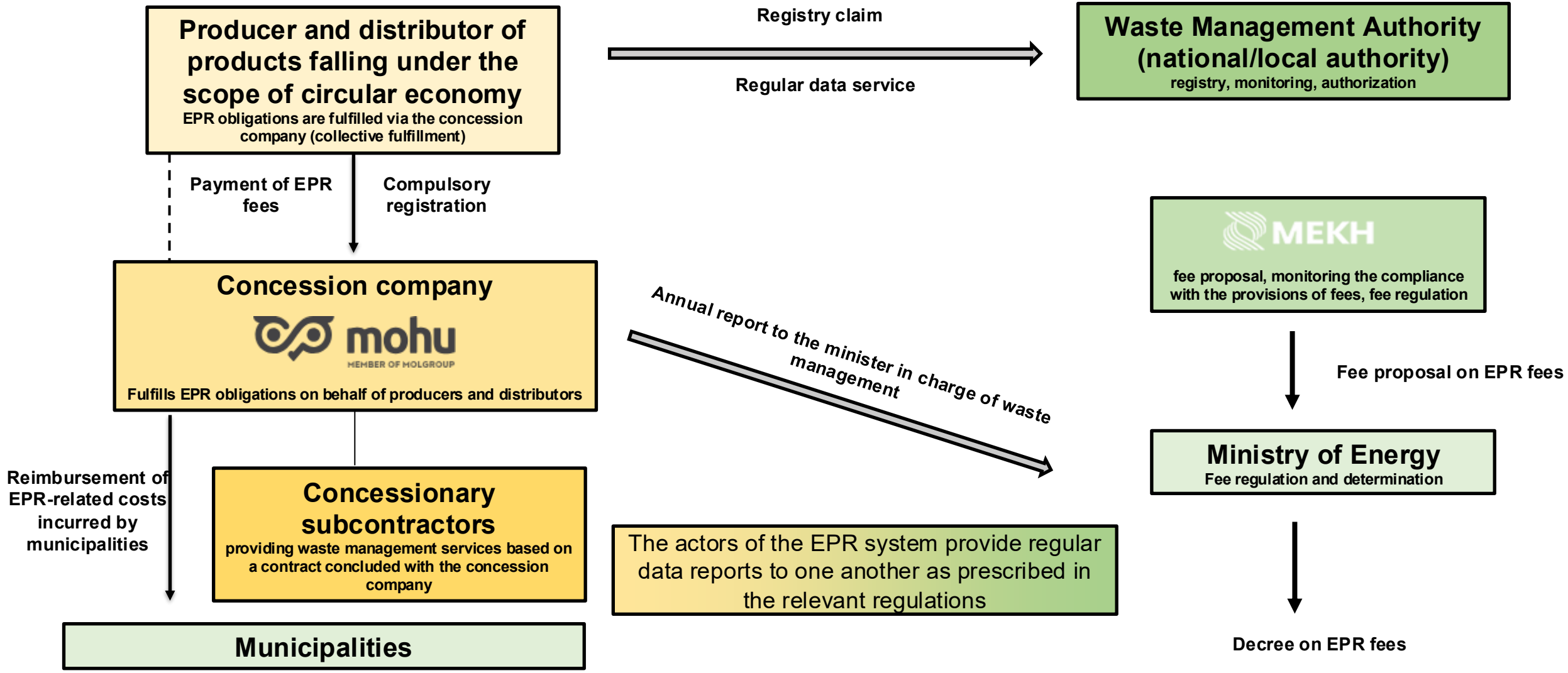
Deposit Refund System (DRS)

Waste of products falling under the scope of DRS

Institutional subsystem of economic operators
Separately collected waste similar to household waste

Institutional subsystem connected to the public sanitation duties of municipalities
Collection of Waste gathered by municipalities performing the abovementioned duty

Main actors of the EPR system



Fulfillment of EPR obligations in Hungary

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Principle: collective fulfillment

Special regulation: Individual fulfillment – determined in the relevant legal provisions. In case of individual fulfillment producers shall pay lower EPR fees.

Producers

EPR obligation – collective fulfillment via the concession company

Financial contribution based on the amount of the product having been manufacured/distributed

EPR fee element for the concession company to compensate for the obligations listed below

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EPR fee element for the reimbursement of municipalities
(Reimbursement of EPR-related costs incurred by municipalities)

reception, collection, transport, pre-treatment, trading, sale and delivery for treatment of EPR waste

Involvement of concessionary subcontractors

Maintenance and operation of waste management facilities

Concession company

Obligations

- **Regular reports and data service** towards the national waste management authority
- operation of an adequate self-control mechanism, supported, where relevant, by regular independent audits
- **Publication of data determined in relevant legal provisions**
- **Communication, financial coordination and settlement** in relation with the maintenance and operation of the EPR scheme

Product streams under the EPR system

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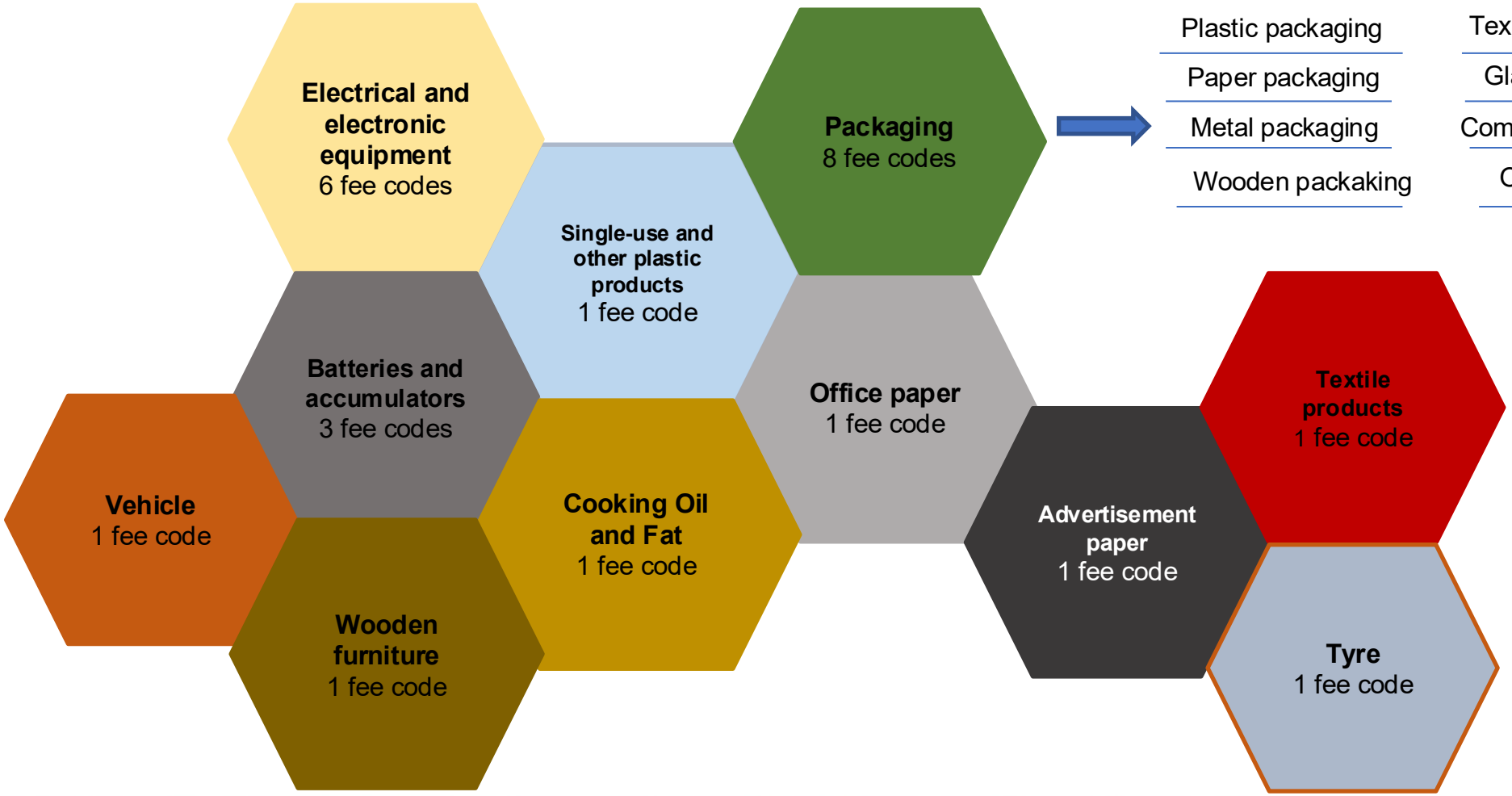
According to Hungarian regulations, 11 product streams fall under the EPR system.
Within these 11 product streams, there are a total of 25 fee codes, for which MEKH makes fee proposals.



- Plastic packaging
- Paper packaging
- Metal packaging
- Wooden packaking
- Textile packaging
- Glass packaging
- Composite packaging
- Other packaging

Beverage packaging falls under the DRS system.

DRS includes beverage packaging in the form of bottles or cans made of **metal, plastic, or glass, with a capacity of 0,1 to 3 liters.**

There are some exceptions to the DRS:

- Packaging of milk and milk-based beverage products
- Small quantity issuers (where the number of DRS products of the manufacturer in the previous year did not exceed 5,000 units)

Financial framework of the EPR system

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EPR fees invoicing

Producers/distributors

Concession company

collection, reception, transportation, pre-treatment, trade, sales, delivery for treatment, maintenance and operation of waste management facilities and performing organizational tasks fulfilling EPR obligations on behalf of the manufacturers

Payment of the EPR Fee as a Financial Contribution
(fee element entitled to the concession company+ fee element entitled to the municipalities)

Waste holders

EPR waste

Outsourcing of waste management activities for a service free (service provided)

Fee element entitled to the municipalities

Municipalities

Concessionaire subcontractors

collection, reception, transportation, pre-treatment, trade, sales, delivery for treatment, maintenance and operation of waste management facilities

Actual fulfillment

EPR related public sanitation waste

Transfer for waste treatment (disposal, recovery)

Functions and duties of fee regulation proposal

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- **Concession company** → Mandatory data reports
- **Concessionary subcontractors** → Mandatory data reports
- **Waste management authority** → Mandatory data reports
- **Municipalities** → Mandatory data reports
- **Producers and distributors** → EPR fee councils
- **Minister of Energy** → Waste composition analysis

The waste compositions analysis allows the concession company to allocate between each waste management sub-systems Link between the EPR system and other sub-systems.

MEKH

Determination of reasonable costs (distinguished by EPR fee code) along the regulations of the decree and the methodological guide

The publication of specific reasonable costs per unit that are deductible for individual performers (by waste management activity)

Fee proposal by fee codes

Minister of Energy (responsible for waste management)

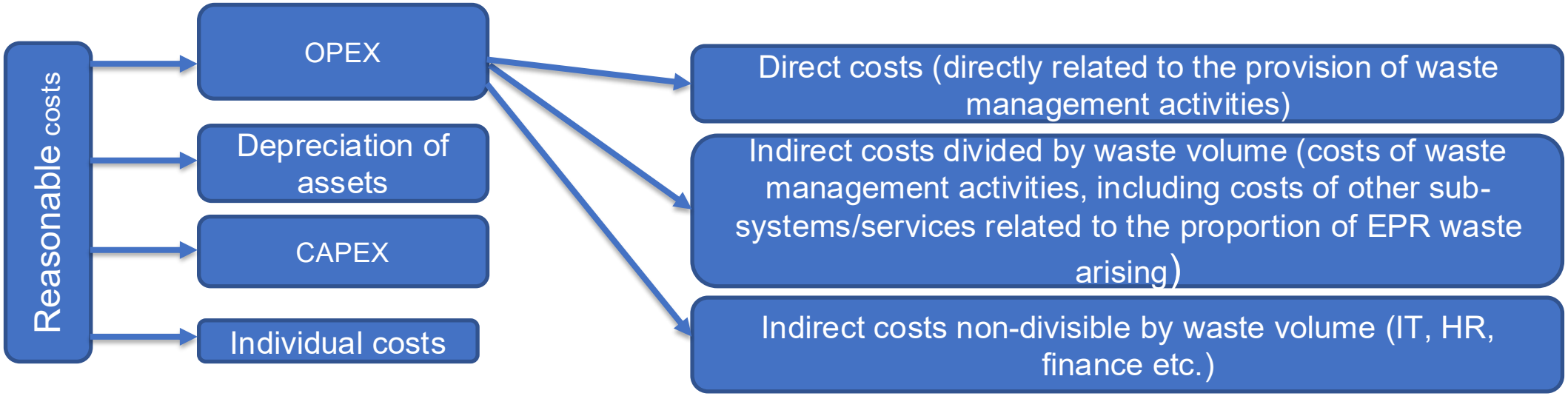
Decreee of the minister annually

Decree on the reasonable costs of concessionary subcontractors (related to each subsystem)

Decree on the reasonable costs of municipalities

Methodology of the EPR fee calculation

- MEKH submits its proposal on the fees applicable for the concession company separately for sub-systems.
- In the case of EPR sub-system, EPR fees determined separately according to EPR product streams (as sum of fee elements assigned to the concession company and municipalities).
- Reasonability of direct and indirect costs of EPR system to be examined separately.



- In the case of EPR fees, the reasonable cost is determined by **dividing it by the quantity of EPR products planned to be placed on the market** in the reference year, in order to calculate the unit fee per kilogram (HUF/kg) for a calendar year, by fee codes, excluding value-added tax.
- Fee calculation based on business plan data in provisional price regulation period (ex-post verified data to be taken into account if available).
- Evaluating reasonable costs – including concessionary subcontractors
  - Detailed revision of assets and costs (based on ex-post data)
  - Benchmarking (based mainly on data provided by concessionary subcontractors) – determining tolerance intervals
  - Correction of costs and waste volumes based on comparing ex-ante (plan) and ex-post data (ex-post reasonableness evaluation)

Determination of EPR fees

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Determination of **direct and indirect cost** according to fee code and cost type (**commensurate to volume**, i.e. proportional)

Summation of **quantity-based costs** by waste management activity and fee codes, **including volume-commensurate general costs** (customer service, marketing, PR, invoicing, management)

Distribution of the remaining costs and expenses, which cannot be allocated on a volume basis (only assignable based on direct costs), **to fee codes.**

OPEX

The **total expenses** are by summing the calculated values **grouped by fee code**, which **equals as the reasonable cost of the concession company**.

Determination and **allocation to fee codes of depreciation, CAPEX and preparational costs** regarding EPR scheme.

In case of **reasonable costs calculated out of financial plan**, the data of costs and expenses stemming from the business plan are pertained to the **reference year** of the determining the fees.

In case of **reasonable cost calculated out of actual data (year t-2)**, the base value of the fee is indexed to the level of **reference year**

The **EPR fee element** (HUF/kg) **for the concession company** is determined from the resulted base value aggregated by fee code projected to issued product quantity.

EPR fee element for the concession company

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According to the **data provision** of municipalities, the indexed reasonable costs stemming from EPR products are calculated **out of the allocation proportions of waste analysis**. The **EPR fee element** (HUF/kg) **for the municipalities** is determined as projection to issued product quantity.

EPR fee element for the municipalities

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EPR FEE

The **sum of EPR fee elements for the concession company and municipalities equals the waste management fee** (HUF/kg) aggregated by fee code to the reference year.

EPR fees in the case of collective fulfillment (EUR/kg)

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Fee category name	Fee element entitled to the concession company (EUR/kg)	Fee element entitled to the municipalities (EUR/kg)	EPR fee to be paid by manufacturer (EUR/kg)	Product quantities for the year 2023 (thousand tons) *
Plastic packaging	0,52	0,015	**0,53**	**257**
Paper and cardboard packaging	0,42	0,0049	**0,42**	**410**
Metal packaging	0,43	0,019	**0,45**	**68**
Other packaging	0,3	0,0097	**0,31**	**5**
Wooden packaging	0,046	0	**0,046**	**316**
Textile packaging	0,16	0	**0,16**	**0.4**
Glass packaging	0,15	0,034	**0,19**	**157**
Composite packaging	0,39	0,015	**0,41**	**40**
Single-use and other plastic products	0,25	0,029	**0,27**	**13**
Temperature exchange equipment	0,28	0,0024	**0,28**	**32**
Screens, monitors, and equipment containing screens having a surface greater than 100 cm2	0,88	0,0024	**0,88**	**11**
Lamps	0,74	0,0024	**0,74**	**2.5**

*: Numbers have been rounded to the nearest thousand. The calculation is based on annualized half-year data and it should be taken into account that the figures refer to the first half-year of the concession system in this regard, innacureacies may occur.

EPR fees in the case of collective fulfillment (EUR/kg)

Fee category name	Fee element entitled to the concession company (EUR/kg)	Fee element entitled to the municipalities (EUR/kg)	EPR fee to be paid by manufacturer (EUR/kg)	Product quantities for the year 2023 (thousand tons)
Large equipment (any external dimension more than 50 cm)	0,30	0,0024	**0,30**	**78**
Photovoltaic panel (any external dimension more than 50 cm)	0,15	0,0024	**0,15**	**70**
Small equipment, small IT and telecommunications equipment (no external dimension more than 50 cm)	0,63	0,0024	**0,63**	**50**
Portable battery and accumulator	0,39	0	**0,39**	**5.5**
Industrial battery and accumulator	0,58	0	**0,58**	**10**
Automotive battery and accumulator	0,58	0	**0,58**	**22**
Vehicle	0,051	0	**0,051**	**219**
Tyre	0,33	0,0073	**0,33**	**69**
Office paper	0,31	0,0024	**0,31**	**27**
Advertisement paper	0,22	0,0073	**0,22**	**35**
Cooking Oil and Fat	0,087	0	**0,087**	**91**
Textile products	0,32	0,034	**0,35**	**70**
Wooden furniture	0,027	0,015	**0,041**	**109**

Experiences related to the introduction and operation of the EPR system

- Possible fee modulation of EPR streams, limits of application (determined by law)
  - EPR fee councils – multilateral consultation
  - Necessary ex-post verified data – fee modulation not yet occured
- **„Free rider" producers and distributors** – missing EPR fee payment/admission compliance, lack of awareness to the obligations
- Increased financial and administrative burdens of producers and distributors
- **Multi-level and extended scope of concessionary subcontractors**
  - Difficulties of benchmarking and examination of reasonable costs
  - Difficult to survey the replacement and renovation needs of waste management assets

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