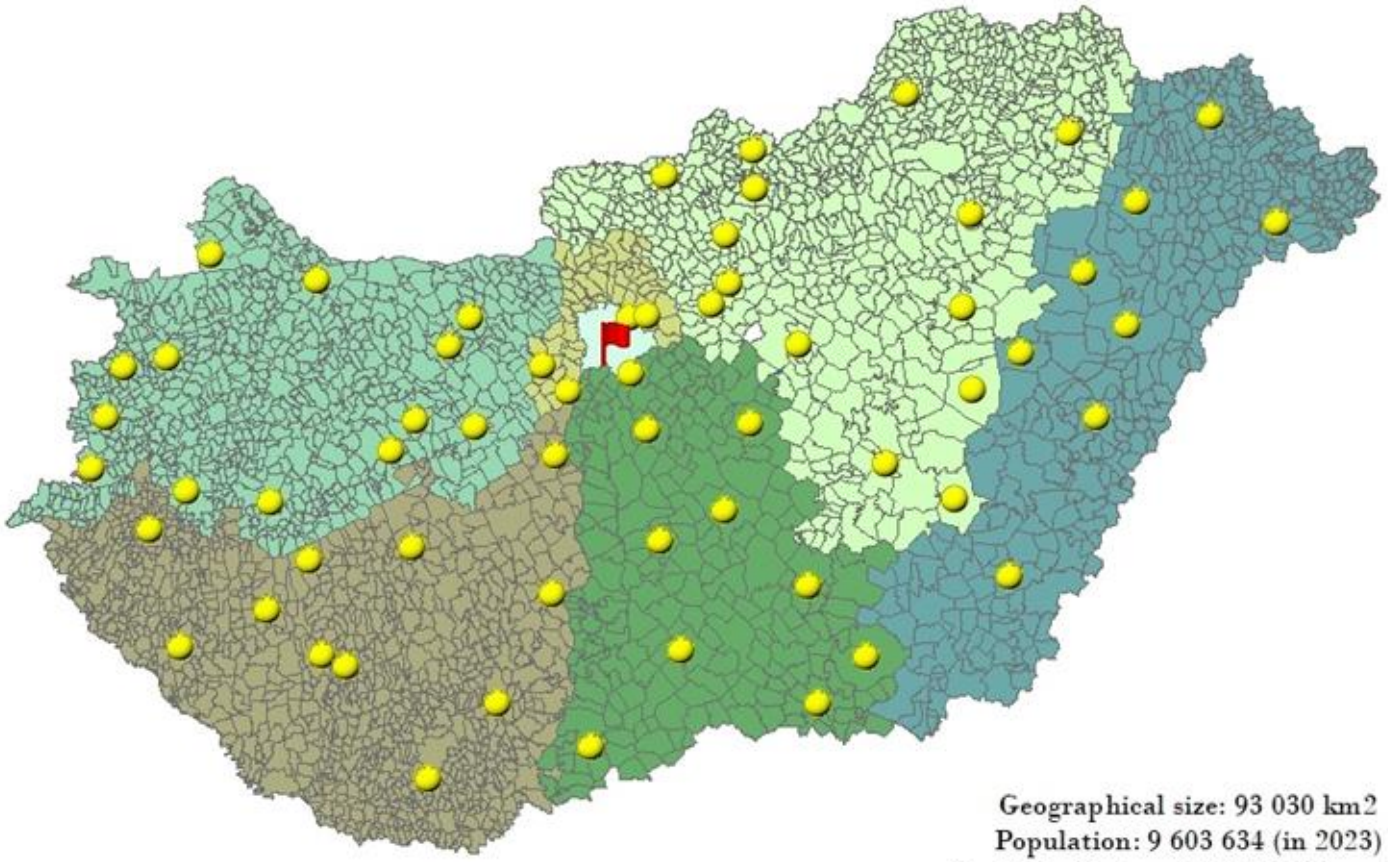
European Water Regulators

2nd Workshop on the Economic Regulation of Municipal Waste

Costs and Tariffs of Municipal Waste Services in Hungary

11th December 2024 – 14:15-16:45

WASTE MANAGEMENT SYSTEM



Waste incineration plant

Landfills (62)

Geographical size: 93 030 km2
Population: 9 603 634 (in 2023)
Capital – Budapest (1 686 222 capita)
One key player – Concession company (MOHU MOL Ltd.)
Waste management coordination regions (6)

Waste management in Hungary

Waste management public function at the national level (waste management concession)

Integrated public waste management service

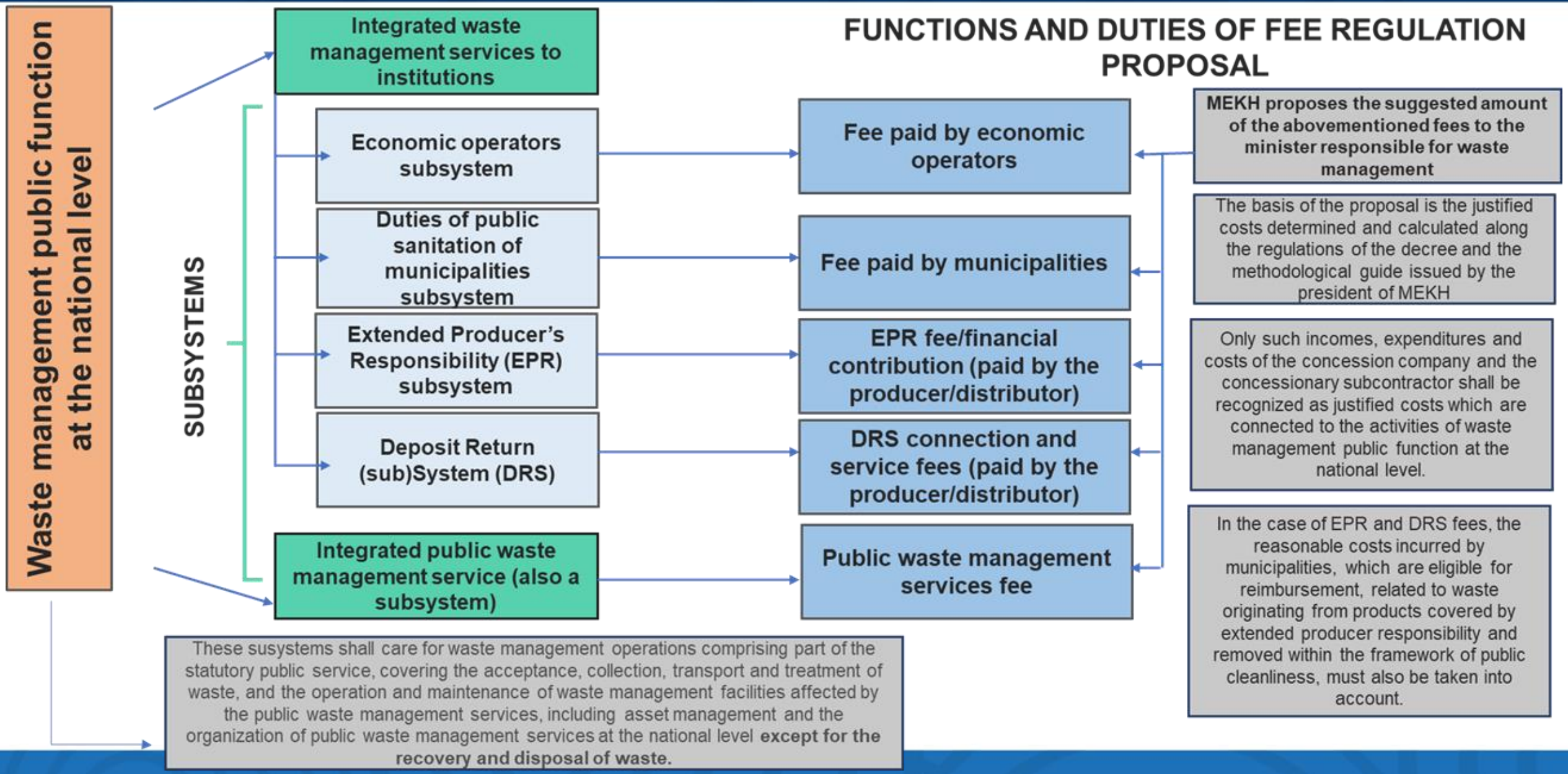
Integrated waste management services to institutions

Other activities related to waste management falling out of the scope of the waste management concession

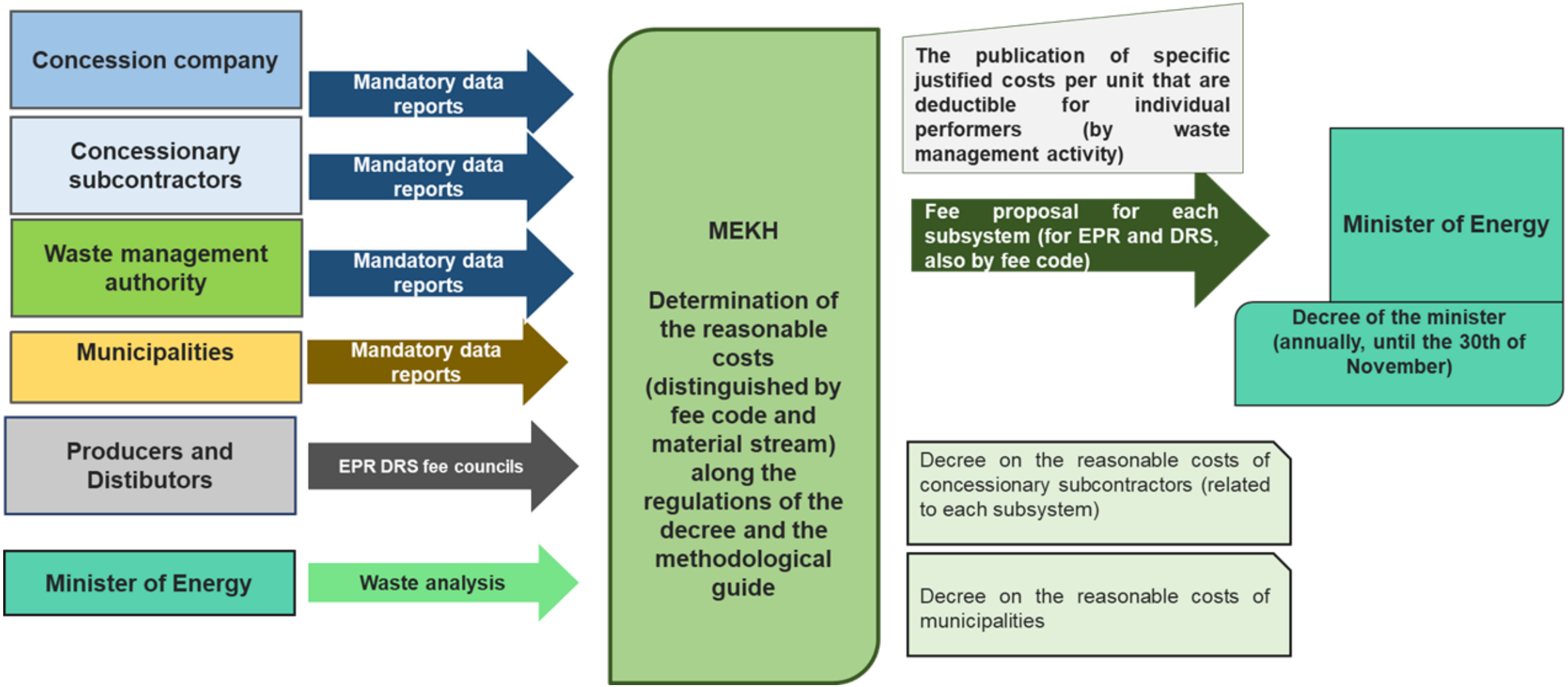
Activities related to the public waste management services of municipalities

Activities of economic operators related to such waste and/or waste management falling out of the scope of the waste management concession

Functions, duties and competences of MEKH concerning tariff regulation



Functions and duties of fee regulation proposal



The basis for fee calculation

- Waste management fees are determined for the **units under the two sub-activities**, for **each waste stream** and **for the EPR and DRS sub-systems, they are set by fee code.**

- In the case of the **EPR and DRS sub-systems**, the fee components due to the concession company and the municipal authorities are determined separately.

- The general rule for fee calculation:
  - ❑MEKH, in accordance with the **details outlined in the methodology guide** it issues, **conducts an assessment of the justification of the costs serving as the basis for determining the fees (by waste management subsystem and by waste management activity).**
  - ❑As part of the justification assessment, **specific indicators will also be determined**, based on the **ratio of the costs of each waste management activity to the amount of waste involved in that activity.**

- **The calculation of the EPR and DRS fees differs from the above as follows**:
  - ❑ In this case, the basis for fee calculation is also the **amount of collected waste (kg) belonging to each waste management subsystem and the justified costs of the related waste management activity (indexed).**
  - ❑ In this case, however, the justified cost is determined **by dividing it by the quantity of EPR or DRS 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, excluding value-added tax**.

The fee calculation applied during the fee proposal in the integrated public waste service

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- The waste management public service fee must be **determined in proportion to the amount of mixed waste** (unit fee: justified cost / amount of mixed waste).

- The fee base determined based on the justified costs **must be reduced by the budgetary or municipal subsidies provided for the provision of the public service sub-activity**, as well as **by the revenue generated from the recycling or the sale of waste for recycling purposes.**

- MEKH submits its proposal regarding the amount of the waste management public service fee by categorizing it according to **the type of payers (natural persons and non-natural persons as property users**) and **the nature of the service provided (regular and occasional services**), expressed in HUF/l and HUF/kg.

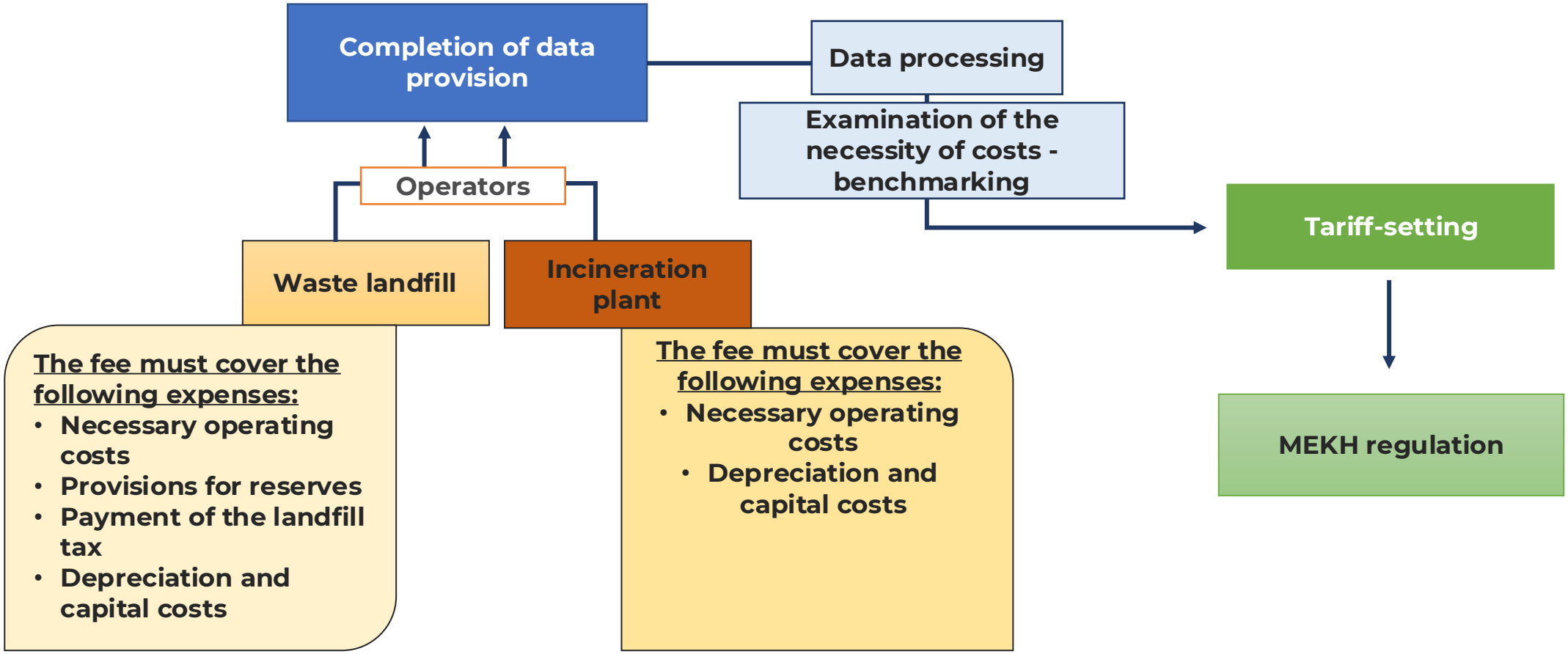
- Currently, with regard to public services, **fixed utility-reduced fees are applied based on legal regulations**.

- When determining the amount of the waste management public service fee, it is essential **to examine which waste management activities need to be funded by the revenue generated from the public service fee**, and to identify the specific mandatory tasks to be carried out.

Tariff-setting activities

- MEKH's price regulation activities, in the case of certain waste management fees, not only involve making proposals, but also include setting the fees.
- Tariff-setting tasks (**only for municipal waste falling under the scope of the concession**):
  - **Setting of fee applicable in subcategory „B3" landfills**
    - ❑The amount of acceptance fee, its components, the conditions for fee application and the procedure for payment,
    - ❑Annually, based on unit fee rates calculated for a one-year payment period, excuding value-added tax (VAT), HUF/t
    - ❑By landfill classification
  - **Setting of the fee applicable in the waste incineration plant (Fővárosi Hulladékhasznosító Mű)**

Tariff-setting process



Operational costs and effiency incentives

- **The justified costs are primarily composed of operating costs This currently represents approximately 80-90% per waste management subsystem.**
- In the case of the concession company, the capital cost accepted **as justified is generally low** (between 0-3%), considering that **it currently does not own its own waste management assets (except for the DRS reverse vending machines).**
- The outsourcing – of the waste management public function – **is high, with the actual activities being carried out by the concession company's subcontractors**.
- MEKH seeks to increase efficiency by examining the justification of operating costs and filtering out costs that cannot be accepted as justified. Additionally, it strives to conduct as thorough an examination as possible of the costs incurred by the subcontractors.
- The concession company may incorporate **incentives into subcontractor agreements made under individual contracts**. These incentives are independent of MEKH, but MEKH may review their justification and extent.

Data related to waste management public service, and the rate of landfill tax

Year	Average generated municipal waste (kg/capita)	Average waste management costs (/capita)	Landfill Tax (/ton)
2018	308	12,01 EUR**	14,50 EUR
2019	332		
2020	332		
2021	336		
2022	No data		
2023	316*		

*: **Certain types of waste** that previously fell under public services – **due to the 2023 model change** – have been **transferred to other waste management subsystems**, which **partially** explains the decrease compared to previous years.
: **Fixed utility-reduced fees are applied based on legal regulations. There are 3,155 municipalities, with **fees varying by municipality** and **showing significant disparities** between **individual charges.**

DRS connection and service fees (EUR/kg)

Material flow	Connection fee to be paid by manufacturer	Fee element entitled to the concession company (from service fees)	Fee element entitled to the municipalities (from service fees)	Service fee to be paid by manufacturer
Non-reusable plastic	**0,044**	0,52	0,015	**0,535**
Non-reusable metal	**0,0056**	0,43	0,019	**0,45**
Non-reusable glass	**0,0024**	0,15	0,034	**0,19**
Reusable	**0,0024**	0,15	0,034	**0,19**

Deposit Fee:

According to the Hungarian DRS decree, a **deposit fee of 50 HUF (~0,12 EUR) per unit is payable for mandatory non-reusable products.** The deposit fee for mandatory **reusable products** and **voluntarily deposit-fee products is determined by the manufacturer on a per-unit basis.**

EPR fees (EUR/kg)

Fee category name	Fee element entitled to the concession company*	Fee element entitled to the municipalities **	EPR fee to be paid by manufacturer
Plastic packaging	0,52	0,015	**0,53**
Paper and cardboard packaging	0,42	0,0049	**0,42**
Metal packaging	0,43	0,019	**0,45**
Other packaging	0,3	0,0097	**0,31**
Wooden packaging	0,046	0	**0,046**
Textile packaging	0,16	0	**0,16**
Glass packaging	0,15	0,034	**0,19**
Composite packaging	0,39	0,015	**0,41**
Single-use and other plastic products	0,25	0,029	**0,27**
Temperature exchange equipment	0,28	0,0024	**0,28**
Screens, monitors, and equipment containing screens having a surface greater than 100 cm2	0,88	0,0024	**0,88**
Lamps	0,74	0,0024	**0,74**

*: Based on the business plan of the concession company.
**:Based on actual data.

EPR fees (EUR/kg)

Fee category name	Fee element entitled to the concession company	Fee element entitled to the municipalities	EPR fee to be paid by manufacturer
Large equipment (any external dimension more than 50 cm)	0,30	0,0024	**0,30**
Photovoltaic panel (any external dimension more than 50 cm)	0,15	0,0024	**0,15**
Small equipment, small IT and telecommunications equipment (no external dimension more than 50 cm)	0,63	0,0024	**0,63**
Portable battery and accumulator	0,39	0	**0,39**
Industrial battery and accumulator	0,58	0	**0,58**
Automotive battery and accumulator	0,58	0	**0,58**
Vehicle	0,051	0	**0,051**
Tyre	0,33	0,0073	**0,33**
Office paper	0,31	0,0024	**0,31**
Advertisement paper	0,22	0,0073	**0,22**
Cooking Oil and Fat	0,087	0	**0,087**
Textile products	0,32	0,034	**0,35**
Wooden furniture	0,027	0,015	**0,041**

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