WASTE SECTOR IN PORTUGAL AND THE ROLE OF REGULATION

WAREG Waste TF Workshop

ERSAR
ENTIDADE REGULADORA
DOS SERVIÇOS DE ÁGUAS E RESÍDUOS
THE WATER AND WASTE SERVICES REGULATION AUTHORITY

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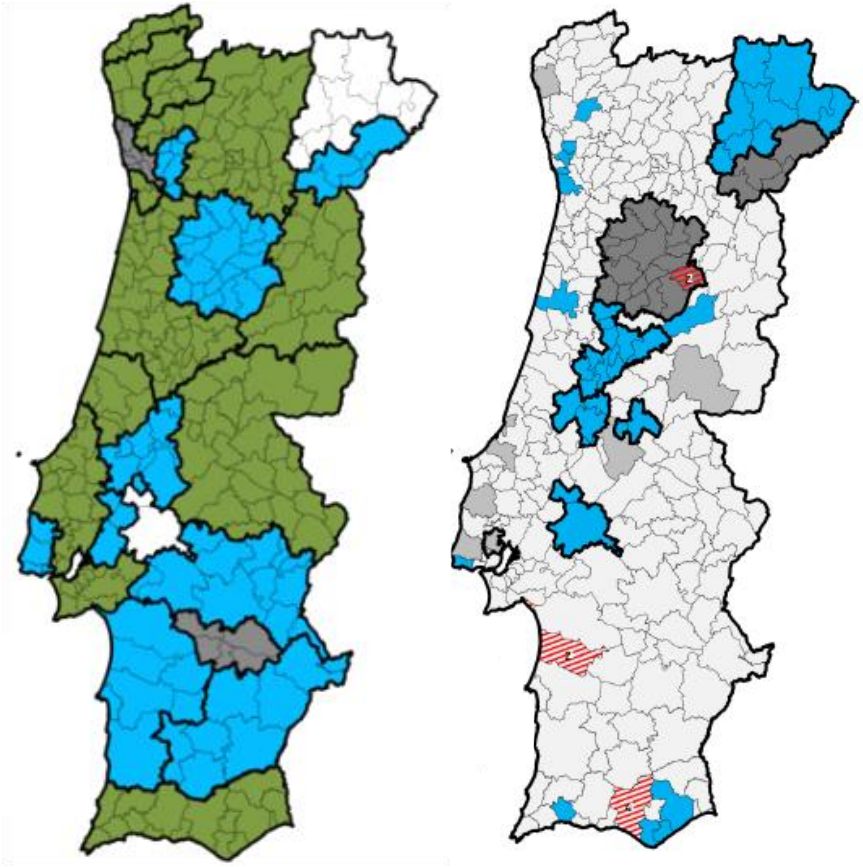
What is under the services' scope?

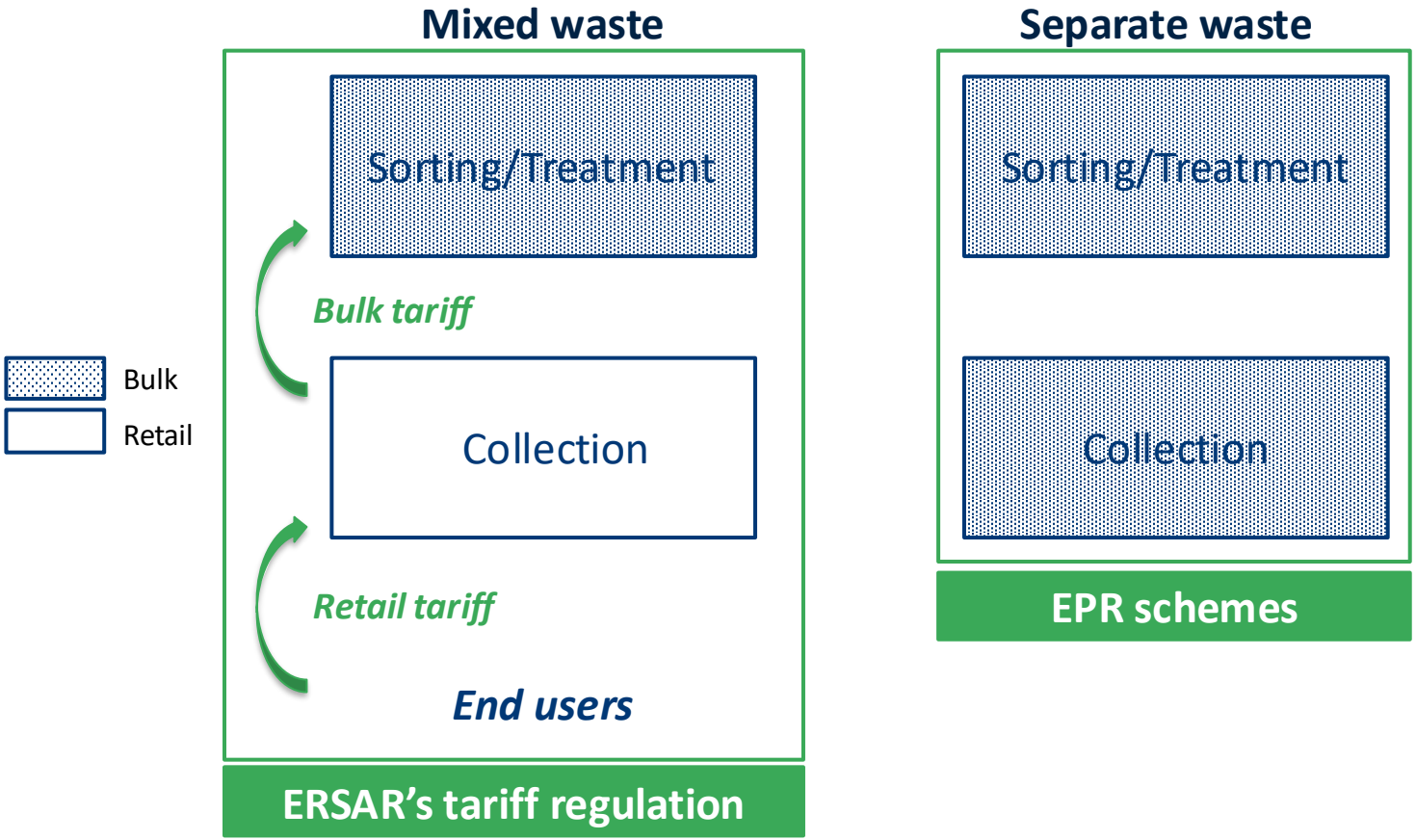


Key stats: Total area 92 212 km2 | 10,3 million people | 5,2 million tonnes of waste generated

Sector structure & organisation:

- **23 operators** - bulk service for urban waste (<1 100 L/day).
- Managing different urban waste infrastructures: **34 landfills, 2 incinerators, 7 BT units, 20 MBT units, 6 MT units, 87 transfer stations, 32 sorting stations, 534 vehicles, 164 ecocenters, 185.041 selective collection containers**
- **Geographical monopolies** - Retail operators are obliged to work with the corresponding bulk operator
- **Bulk operators provide global service** to reach environmental targets set by national strategic plan (**as opposed to operating specific treatment infrastructures**)
- **237 operators** in retail managing different urban waste infrastructures: **371.835 mixed waste collection containers, 4476 biowaste containers, 44.886 selective collection containers, 104 ecocenters, 13 transfer stations, 2405 vehicles**

How does the Portuguese waste management sector work?



ERSAR's revenue cap regulation

+ Cost of capital

- Depreciation of regulated asset base (RAB)
- Operator return as a measure of Cost of Capital x average RAB

+ Operating costs

- Allowed operating expenditure

− Revenues

- EPR scheme fees for packaging materials recovered
- Sale of other materials & other fees
- Sale of electricity
- Sale of compost

− Income from complementary activities

- % of overall income from complementary activities shared with regulated service users

+ Incentives

- Regulatory benefits from extra efficiency (both acquisition of RAB assets, operating cost structure and attainment of environmental targets

+/− Adjustments & Regulatory asset/liability

- Annual adjustments to revenue cap
- Accounting mechanism to reduce overall tariff volatility across regulatory period

÷ Mixed waste quantities for each year of regulatory period

= **Tariff for the year**

Producer Responsibility Organisations' income formula

EPR fee to WMO + **3 licens… RO G&A** + **Advertising** − **Sale of recyclables**

- **Fee paid to WMO for collection and sorting** of recycla… EP…
- **Fee s… inistry of Env… onment**
- **… structure …perate,** typically personnel and technological infrastructure
- **PROs are legally obliged to spend a % of inflows in advertising** toward increasing awareness to the need and benefits of waste separation
- **Revenue from materials recovered and delivered by WMOs**

From 2025 onwards it will be a responsibility of the regulator

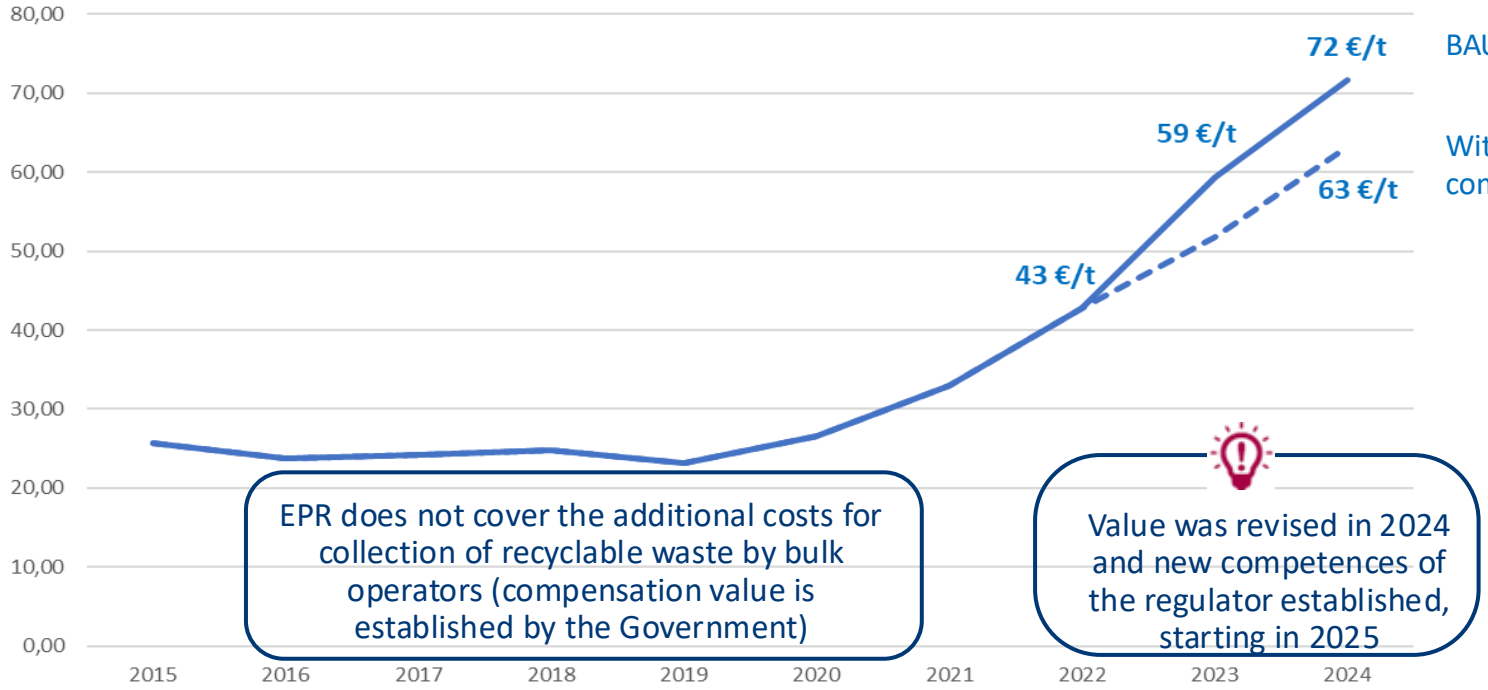
Fees paid by producers

Key aspects

- **This organisational structure may not promote competition among PROs but incentivises efficiency demands from WMOs:**
  - G&A costs and advertising have lower relevance in cost structure. PROs are not WMOs.
  - Service fees are set by the government and quantities are allocated by a compensation chamber – next year this will be a responsibility of the regulator.
  - Recyclables have prices set in international markets and Portuguese PROs have no particular leverage.

Waste Management Operators' EPR fee

Impact on bulk tariffs



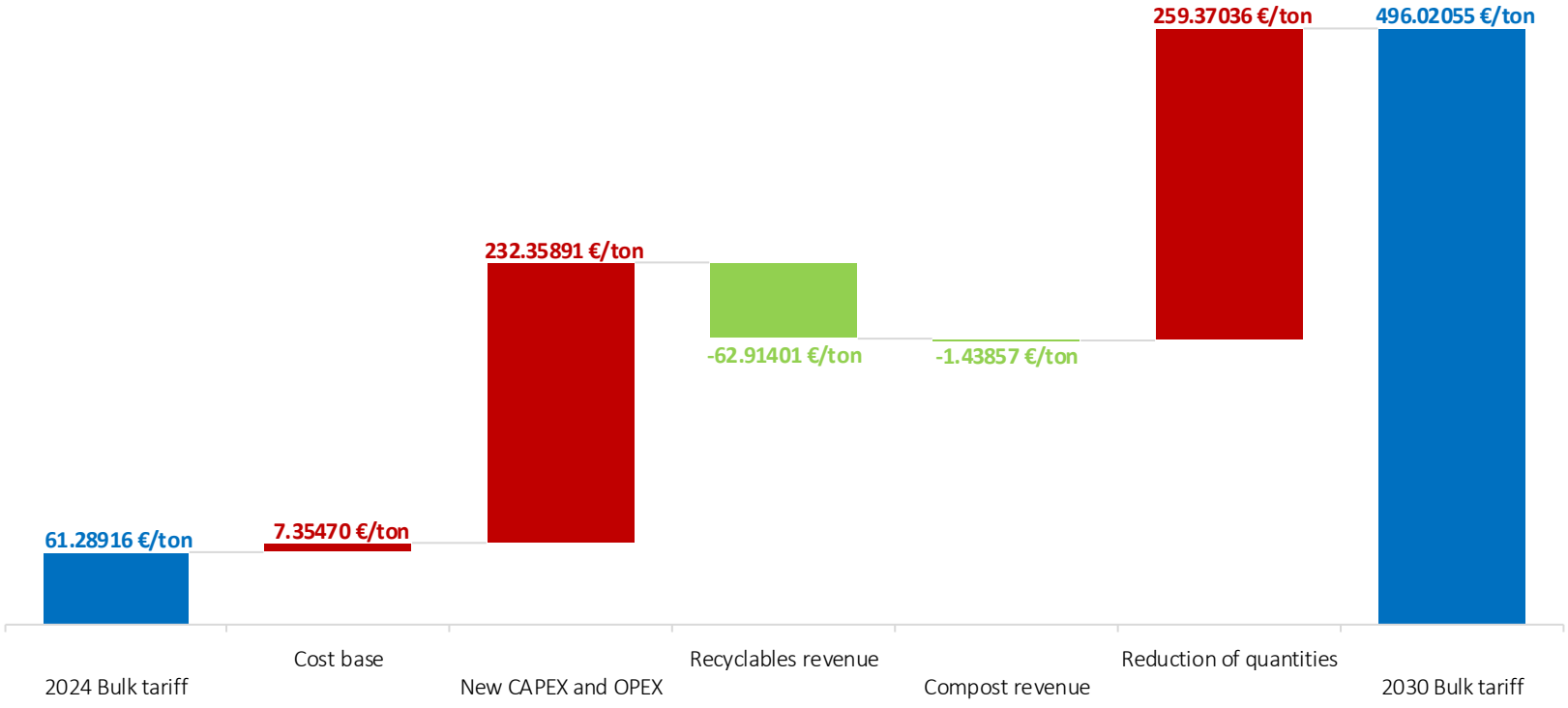
* Valores apenas para grupo EGF

Summary of main figures

	Total amount	Amount per capita	Amount per ton	Data Source
Number of inhabitants (2021 Census), Mainland Portugal	9.855.909			Statistics Portugal (INE) | 3.962.715 households
Household disposable income, EUR/year (2023)	177.521.706.570 €	18.064 €		ERSAR's calculation – 2,48 persons per household | 44.798 €/household
Municipal waste collected (ton)	5.047.698 ton	502 kg		ERSAR and APA
Retail MW collection household invoice, EUR/year (2024)		38,52 €		ERSAR's calculation – 2,48 persons per household | 95,52 €/household
Retail estimated cost MW collection, EUR/year (2022) – includes bulk costs	640.883.991 €	45,12 €		ERSAR's calculation – 2,48 persons per household | 111,89 €/household
Bulk MW management tariff, EUR/ton (2024)	452.739.671 €		45,29 € + 16 €* (EPR)	ERSAR's calculation - *37% of the EPR cost is paid by consumer tariffs – reversed in 2025
Waste management fee (2024)			30 € (landfill)	Portuguese Environmental Agency (APA)
Total investments projected for the 2024-2030 period	2.731.099.343 € (B) + 1.027.349.506 € (R)	277 € + 104 €		ERSAR's calculation
EPR cost estimates			300 € (- 43 €*)	ERSAR's estimation - *37% of the EPR cost is paid by consumer tariffs – reversed in 2025
DSR cost estimates	74.500.000 €		1500 €	ERSAR's estimation – For 50.000 tons

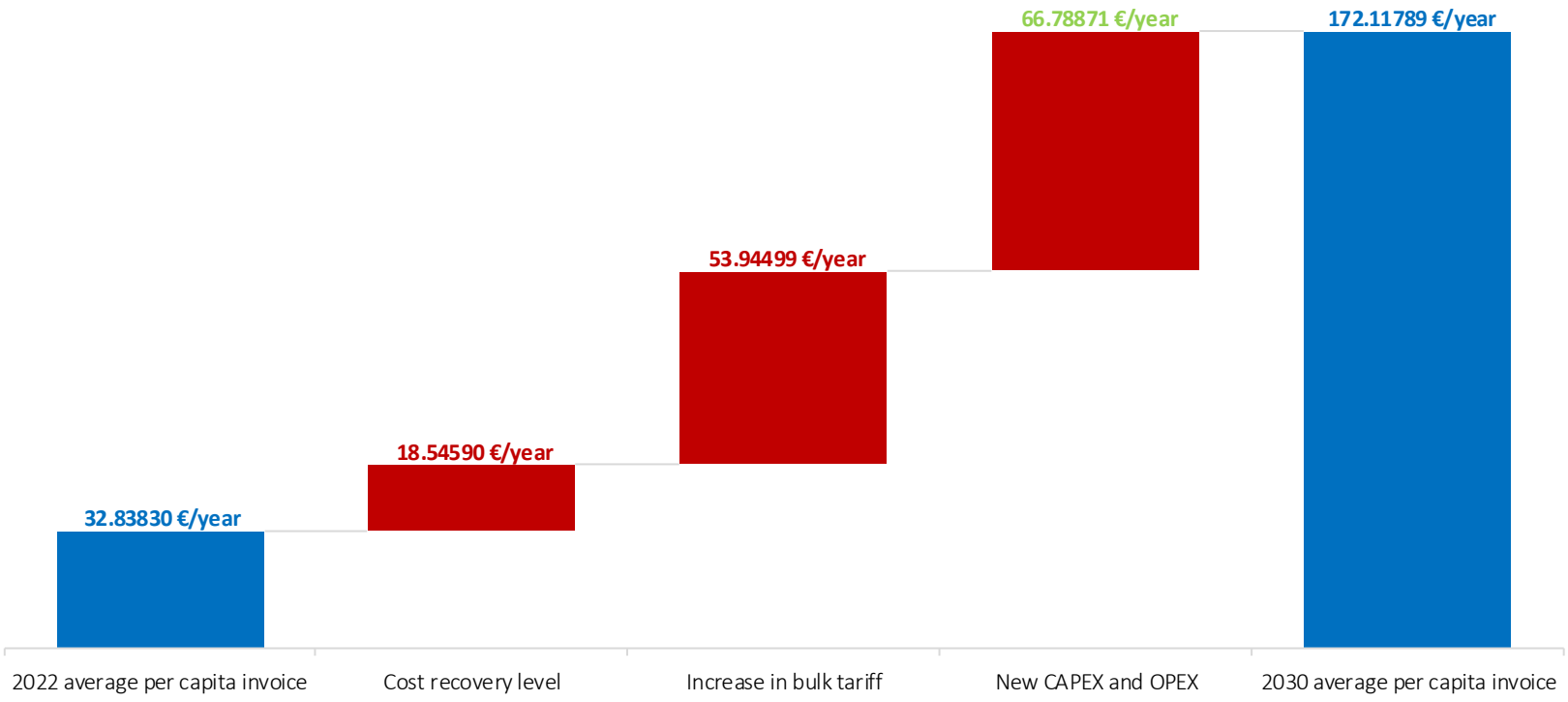
And what about the future?

Estimated bulk tariff impacts (per ton)



And what about the future?

Estimated retail invoice impacts (per capita/year)



Regulating today for a better tomorrow

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